

# VIRGINIA

## *Economic Indicators*

# 4

VOL. 39, NO. 4

Final U.S. 2007 Estimates and Updated 2008-2009 U.S. Projections, Fourth Quarter  
Virginia Data, Virginia Benchmark Revisions and Forecasts, and Historical Graphs



### FEATURE ARTICLE:

***Virginia 2007 Nonagricultural Employment Performance and 2008 - 2009 Updated Forecasts***  
by William F. Mezger, Chief Economist

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# FOREWORD

For those who are interested in studying the business cycle, the *Virginia Economic Indicators* publication is designed to depict the movement of the key economic indicator series readily available in Virginia. Most of these series are published elsewhere; but here, they are brought together in both graphic and tabular form, under one cover, and grouped so that they may be analyzed and interpreted easily.

Ten of the fourteen series currently used—the two employment series, the four unemployment series, and the four hours and earnings series—are produced in-house by the Economic Information Services Division of the Virginia Employment Commission and are comparable to similar national series produced by the U.S. Department of Labor. The four business indicators are provided by sources outside of the agency (see the Historical Summary at the back of this publication for data sources) and should prove useful to the student of business cycle development in Virginia.

All series currently published in the *Indicators* have been seasonally adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle. The *Virginia Economic Indicators* is currently the only seasonally adjusted publication of some of the Virginia series.

From time to time, new series will be added to this report as the data becomes available and is collected and tested. Also, series presently provided, if necessary, may be discontinued. Historical graphs are published in the back of the fourth quarter issue for each year.

This publication provides a narrative analysis update of the U.S. economy, a narrative analysis of recent changes in Virginia, and highlights of both economies. Also, feature articles dealing with some currently important aspects of the Virginia economy are presented. Feature articles are written in-house or by guest authors knowledgeable on particular economics-related subjects.

This publication is normally produced quarterly in April, July, October, and February, but data in the series is provided on a monthly basis. There is a time lag of one quarter before all the data series are available for publication and analysis.

With the 2002 benchmarks in 2003, all states were required to switch to the North American Industry Classification System (NAICS) codes which replace the Standard Industrial Classification (SIC) codes formerly used. The NAICS conversion affects the factory employment series and the four hours-and-earnings series in that, where 2001 - 2007 data has been revised to NAICS, data prior to this time is still on the old SIC basis with

more manufacturing industries. This means a slight break in these series when comparisons are made with former periods prior to 2001.

The main change to manufacturing is that, under NAICS, newspapers and publishing houses are no longer included in manufacturing, and so their employment and earnings are missing from revised 2001 - 2007 data.

NOTE: In First Quarter 2008, the employment, total unemployment rate, and hours and earnings series all went through the annual benchmarking process. It was especially important to use the revised data in this issue because the fourth quarter *Virginia Economic Indicators* contains the historical series. All historical series are now updated to the very latest figures. Also, all data has been updated to 2007 NAICS revisions.

The U.S. forecast analysis is based on the Global Insight projections which the state purchases. Virginia projections use the state model with enhancements from VEC data for the areas.

Significant advances in printing technologies and the competitive bidding process allowed the production of the current format with its enhancements on an annual contract basis at a substantial cost savings over the previous process and format.

Production and distribution of the *Virginia Economic Indicators*, like most Virginia Employment Commission projects, are financed through specifically-earmarked U.S. Department of Labor grants and do not use Virginia state funding sources.

We welcome any comments, suggestions, or questions concerning *Virginia Economic Indicators*.

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# HIGHLIGHTS

## The U.S. and Virginia Economies



Growth in the U.S. economy was only 0.6 percent in Fourth Quarter 2007 with gains in consumer spending, exports, nonresidential structures, state and local government spending, and software purchases that were largely offset by negatives in inventories and residential housing. The final growth rate average for 2007 was 2.2 percent with stronger growth in the second (+3.8 percent) and third (+4.9 percent) quarters offsetting weak first and fourth quarter (both +0.6 percent) gains. The 2.2 percent growth average in 2007 was slower than the 2.9 percent growth average in 2006.

Many now feel the U.S. economy is near, or already in, recession in 2008. The truth is nobody knows for certain, and it will be sometime before we officially know since final figures do not come out until 90 days after the quarter ends. A recession is technically considered to be at least two consecutive quarters of negative growth. It is also possible with stimulus packages already in the works that Second Quarter 2008 could be barely positive. The National Bureau of Economic Research which officially designates recessions in the U.S., took two years to officially define the 2001 March to November recession. It looks like the current downturn should be fairly mild as recessions go, somewhat like 2001, with some industries and areas being hard hit while others will see little impact. The current slowdown was brought about by the mortgage market/real estate meltdown and continued high energy prices. The 2008 and 2009 projections have been revised downward, but both years are expected to still *average* barely positive growth.

Maybe they were the dying embers of the expansion, but Virginia still managed to set seven positive highs

in Fourth Quarter 2007. Nonfarm payroll employment inched forward to 3,764,800 in October, 3,766,600 in November, and 3,767,000 in December. Holiday orders pushed the workweek to 43.7 hours in November. Average hourly earnings rose to \$18.40 in November, and weekly earnings reached \$803.52 in the same month. Taxable retail sales reached \$9,004 million in October.

Virginia's economy also showed signs of slowing in 2007. The annual re-benchmarking of many of the indicator series revealed that Virginia added 34,200 jobs in 2007 for a 0.9 percent growth rate compared to 62,100 jobs added in 2006 and a 1.7 percent rate of gain. Slides in manufacturing and construction were largely responsible for 2007's slower statewide job growth. Virginia's unemployment rate after benchmarking still averaged only 3.0 percent for 2007, the same jobless rate as in 2006. Virginia with only a 3.0 percent unemployment rate average had the fourth-lowest jobless average in the U.S. in 2007 and the lowest unemployment rate among the 13-largest states. Eight of the state's ten metropolitan areas added jobs in 2007 with only Blacksburg-Christiansburg-Radford being negative by 500 jobs, or 0.7 percent, because of factory layoffs, and the Harrisonburg area being unchanged from 2006. Northern Virginia, although slowed by the real estate slump, still managed to create 15,500 jobs, or 45.3 percent, of the state's gain.

The Consumer Price Index for the United States for All Urban Consumers (CPI-U) registered an annual rise of 2.9 percent in 2007 to average 207.3 (1982-84=100). This was less than the 3.2 percent rise recorded in 2006.



*Both the nation and Virginia saw a slowing of economic growth in 2007.*

According to the Bureau of Labor Statistics of the U.S. Department of Labor, productivity in the nonfarm business sector increased at an annual rate of 1.9 percent in Fourth Quarter 2007, as output increased 0.3 percent and hours of all persons—employees, proprietors, and unpaid family workers—decreased 1.6 percent. The decline in hours was the largest since First Quarter 2003, when hours fell 2.1 percent. From Fourth Quarter 2006 to Fourth Quarter 2007, productivity increased 2.9 percent. Hourly compensation grew 4.6 percent in the fourth quarter. When the increase in consumer prices was taken into account, real hourly compensation decreased 0.5 percent. Real hourly compensation had grown 0.6 percent during Third Quarter 2007. Unit labor cost increased at a 2.6 percent annual rate in the fourth quarter after falling 2.7 percent in the third quarter, as revised. The implicit price deflator for nonfarm business increased 2.0 percent in the fourth quarter and 0.1 percent in Third Quarter 2007.

Nonfarm business sector productivity grew 1.8 percent in 2007. The modest productivity improvement reflected output growth of 2.3 percent combined with small increases in hours worked. Last year hours increased 0.5 percent in the nonfarm business sector, and hourly compensation increased 4.9 percent. Real hourly compensation increased 2.3 percent during 2007 in the nonfarm business sector. Unit labor cost increased 3.1 percent in 2007, faster than in any year since 2000, when unit labor costs grew 4.2 percent.

According to the Energy Information Administration of the U.S. Department of Energy, coal production in Virginia in 2007 was 26,879,000 short tons mined, which was 10.0 percent less than the 29,872,000 short tons mined in 2006.

*William F. Mezger*

William F. Mezger, Chief Economist  
Virginia Employment Commission



# U.S. ECONOMIC OUTLOOK

Forecast Update—Final U.S. 2007 Figures, Plus the Latest Revisions to the U.S.  
2008-2009 Forecasts

William F. Mezger, Chief Economist



The Fourth Quarter 2007, as had been predicted, showed little growth:

- ◆ Real gross domestic Product (GDP)—the output of goods and services produced by labor and property located in the United States—increased at an annual rate of 0.6 percent in the Fourth Quarter 2007, according to final estimates released on March 27, 2008, by the Bureau of Economic Analysis of the U.S. Department of Commerce. Real GDP had increased 4.9 percent in the third quarter and 3.8 percent in the second quarter.
- ◆ The gain in real GDP in the fourth quarter primarily reflected positive contributions from consumer spending (+2.3 percent), exports (+6.5 percent), nonresidential structures (+12.4 percent), state and local government spending (+2.8 percent), and equipment and software purchases (+3.1 percent), that were largely offset by negative contributions from private inventory investment (-4.0 percent) and residential fixed investment (-25.2 percent). Imports (-1.4 percent), which are a subtraction in the calculation of GDP, decreased.

The decrease in real GDP growth in Fourth Quarter 2007 primarily reflected a downturn in inventory investment and decelerations in exports, federal government spending, and consumer spending that were partially offset by a downturn in imports.



The annual average economic projections for the U.S. in 2007 published three month ago in *Economic Assumptions* and *Third Quarter Virginia Economic Indicators* generally turned out nearly on target with the final average growth rate for GDP remaining at 2.2 percent. Only a few GDP components were off:

- ◆ Business spending, up 4.7 percent instead of 4.5 percent, reflected better computer sales in the final quarter.
- ◆ Federal government spending only grew 1.7 percent versus the projected 2.1 percent as defense spending was cut in the year's final quarter after surges in spending on the Iraq war in the second and third quarters.
- ◆ Both housing starts (1.34 million versus the projected 1.35 million) and existing home sales (5.67 million versus the projected 5.68 million) continued to worsen slightly.
- ◆ Nonfarm job growth was 1.1 percent versus the projected 1.3 percent.
- ◆ Industrial production had 1.7 percent growth versus the projected 1.9 percent as vehicle producers idled assembly lines at year's end.
- ◆ The foreign trade balance at -\$739 billion, was a little better than the projected -\$747 billion as the weaker dollar helped U.S. exports and hurt imports.

*In spite of lackluster 0.6 percent gain in the fourth quarter, GDP growth still increased 2.2 percent in 2007.*



U.S. 2007 growth estimate averages	Percent (except as noted)	
	Previous	Final Estimates
Real GDP	2.2	2.2
Personal Income	6.2	6.2
Consumer Spending (Real)	2.9	2.9
Business Investment (Real)	4.5	4.7
Federal Government Spending (Real)	2.1	1.7
State and Local Government Spending (Real)	2.2	2.2
Housing Starts (Million Units)	1.35	1.34
Existing Home Sales (Million Units)	5.68	5.67
Light Vehicle Sales (Million Units)	16.1	16.1
Nonagricultural Employment	1.3	1.1
Unemployment Rate (Levels)	4.6	4.6
Consumer Price Inflation	2.9	2.9
Oil Prices (\$ per Barrel)	72	72
Industrial Production	1.9	1.7
Federal Government Surplus (Billion Dollars)	-163	-163
Current Account Balance (Billion Dollars)	-747	-739

The 2.2 percent growth rate average in 2007 was slower than the 2.9 percent growth rate average in 2006.

## The Immediate Outlook

The general feeling now seems to be that the U.S. economy is near recession, or already in recession, in the first half of 2008. The truth is nobody knows for certain, and it will be sometime before we will officially know. A recession is *technically* considered to be two, or more, consecutive quarters of negative GDP growth. Everyone believes economic growth is slow now, but we do not yet know how slow. The final GDP estimates for First Quarter 2008 will not be available until the end of June, the final GDP estimates for Second Quarter 2008 will not be available until the end of September, and the final GDP estimates for Third Quarter 2008 will not be available until the end of December. (Quarterly and annual GDP estimates are made by the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce.) With things as marginal as they are right now, it is possible that one of these three quarters could be barely positive; and if it was Second Quarter 2008, due to the rebate and interest stimulus packages, then technically we would miss being in a recession.

The National Bureau of Economic Research (NBER), a think tank located at Princeton University, officially designates periods of recession after it has analyzed all the data. The NBER did not officially define the 2001 March to November recession until July 2003.

After avoiding a much anticipated slowdown in 2007, it now looks like the U.S. economy is definitely in a period of slow to no growth, but it will be sometime before the full extent of the slowdown will be known. It looks like the impending downturn should be fairly mild as recessions go, like 2001, with some industries and areas of the country being hit hard while other industries and areas will see almost no impact. In 2001, construction and vehicles boomed right on through the recession because of the very low interest rates at that time, while other sectors of the economy—like computers, telecommunications, and manufacturing—were in deep recession. In fact, some of the problems now in the mortgage banking, real estate, and construction industries go back to excesses that developed in the 2001 to 2005 low interest rate boom period.

The current downturn is largely caused by:

- ◆ Too many mortgage loans made to poor-risk borrowers without estimating the potential risk and the assumption that collateral would only go up with ever-rising real estate values. Greedy bankers and speculators got in on the act, pushing through risky loans. The practice of mortgages being traded around the world as securities has compounded the problem and has masked the extent of possible losses. Also, consumers seeing dropping home values and a weakening labor market feel much less confident.



- ◆ Energy prices remain inordinately high because of world demand and much futures speculation. The high energy prices strap consumer spending powers as well as pushing up the cost of producing and shipping goods.

The resolvment of the current economic downturn should come as follows:

- ◆ The president and congress have already signed off on a fiscal-stimulus package that is \$152 billion worth of tax rebates that will be in consumers' hands between May and July 2008. Its impact will be felt in the second and third quarters. The federal government also is working on a plan to help threatened home owners prevent foreclosures and to assist hard-hit builders and communities.
- ◆ The Federal Reserve in mid-March forced the sale of Bear Sterns (the nation's fifth-largest investment banker) to J.P. Morgan Chase, guaranteeing \$29 billion of the subprime assets in Bear Stern's portfolio and opened its discount lending to investment banks for the first time since the 1930s. The Federal Reserve, which normally only lends to commercial banks, did this to avoid a crisis in the financial system and to keep credit flowing to businesses and consumers. As problems in the mortgage/credit markets have worsened in recent months, the Federal Reserve has lowered the Fed

Funds rate, the rate at which banks can borrow, from 5.25 percent in September 2007 to 2.25 percent in March 2008. The Federal Reserve is expected to further lower the Fed Funds rate at its April and June Open Market Committee meetings. The Federal Reserve has also issued much tougher new guidelines for mortgage lenders.

- ◆ The current world oil prices at over \$100 per barrel are much higher than global demand would seem to warrant, having been driven up by market futures speculation. Unlike Spring 2007, when many U.S. Gulf Coast refineries were out of service to more permanently repair 2005 hurricane damage, there is currently no shortage of oil. Oil prices should gradually come down as the downturn softens oil demand—especially after the peak of the summer driving season passes.
- ◆ The weakened value of the U.S. dollar is helping U.S. exports and making U.S. manufacturers more competitive in world markets, although economies in the rest of the world are now showing signs of slowing.

Based on the above, 2008 and 2009 forecasts have been updated below. Both years are expected to *average* positive GDP growth, but the expansion will be way below the 3.0 percent long-range trendline average.

Updated 2008 and 2009 Forecasts	Percent (except as noted) Averages	
	2008	2009
Real GDP	1.2	1.7
Personal Income	4.2	3.6
Consumer Spending (Real)	1.4	1.4
Business Investment (Real)	-0.1	-0.9
Federal Government Spending (Real)	3.7	1.5
State and Local Government Spending (Real)	0.7	-0.6
Housing Starts (Million Units)	0.91	1.13
Existing Home Sales (Million Units)	4.56	4.86
Light Vehicle Sales (Million Units)	14.9	15.2
Nonagricultural Employment	0.2	0.4
Unemployment Rate (Levels)	5.3	5.8
Consumer Price Inflation	3.5	1.6
Oil Prices (\$ per Barrel)	96	84
Industrial Production	0.6	1.9
Federal Government Surplus (Billion Dollars)	-413	-401
Current Account Balance (Billion Dollars)	-666	-606

The baseline forecast probability is 55 percent.



It looks like the downturn will be spotty and selective, hitting the financial, residential construction, and vehicle manufacturing industries hard. States like California, Florida, Nevada, and Arizona where there has been rampant real estate and condo speculation will be especially hard hit as will Michigan and Ohio where auto workers have lost their jobs, and in turn, their homes have been foreclosed. States, like Virginia, with economies based on professional, business, health, and education services and federal government employment should be much less impacted. Virginia does not have a really bad speculative real estate problem, and what real estate problems it does have are over 90 percent in Northern Virginia. The agricultural Midwest should also be relatively little impacted by this downturn.

## Forecast Alternatives

In the **optimistic scenario**, 2008 sees a brief touchdown, but GDP growth quickly moves back to a 2.0 percent average for 2008 and a 3.0 percent average for 2009. Innovation in the technology sector hikes business spending and productivity. Housing recovers quicker, exports expand more rapidly, and oil prices recede faster. (Probability is 15 percent)

In the **pessimistic scenario**, the U.S. economy initially responds to the stimulus package of tax rebates and low interest rates by the second half of 2008, but housing starts continue to fall, dropping below 800,000 per year; home prices drop another 10 percent; and oil goes to over \$115 per barrel and stays there. Consumer confidence erodes still more, and the U.S. economy falls into a deeper recession in 2009. GDP growth averages neutral for all of 2008, but averages -0.2 percent for 2009. Recovery does not come until 2010.

April 15, 2008

*Forces are already being put into play to correct the 2008 downturn, but some sectors and some states will be impacted much more than others.*

# VIRGINIA INDICATORS

## Fourth Quarter 2007 Data

William F. Mezger  
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Virginia's economy, like the national economy, showed signs of slowing in 2007. The annual re-benchmarking of many of the indicators series revealed that Virginia added 34,200 jobs in 2007 for a 0.9 percent growth rate compared to 62,100 jobs added in 2006 for a 1.7 percent rate of gain. The continued slide in manufacturing with 9,500 jobs lost and the retrenchment in construction with 8,000 jobs lost were largely responsible for 2007's slower statewide job growth. What is significant to Virginia's economic health is that the mainstays of the recent Virginia job expansion, professional and business services, up 15,300 jobs, or 2.4 percent; private education and health services, up 11,700 jobs, or 2.9 percent; total government, up 11,300 jobs, or 2.9 percent; and leisure and hospitality, up 7,200 jobs, or 2.1 percent, still performed very well. Virginia's unemployment rate after the annual benchmarking still averaged only 3.0 percent for 2007, the same jobless rate as in 2006. Generally, most months in 2007 were lower than the corresponding 2006 month until an uptick in unemployment in the normally lower fourth quarter.

According to the Bureau of Labor Statistics of the U.S. Department of Labor, Virginia, with a 3.0 percent unemployment rate average, had the fourth-lowest jobless average in the U.S. in 2007. Only Hawaii, 2.6 percent, and Idaho and Utah, both 2.7 percent, had lower unemployment rate averages in 2007. Nebraska and South Dakota, both also averaged 3.0 percent unemployment rates, the same as Virginia. Virginia was third-best in the continental U.S. and was the lowest of the 13-largest states with Florida's 4.0 percent jobless average being second-best among the large states.

In what appears to be a retrenching economy, Virginia still seemed to be in a better position to weather the storm than most other states. For more detail on the 2007 Virginia benchmark revisions, data on the metropolitan areas, and updated state and area projections for 2008 and 2009, please be sure to see this issue's feature article, "Virginia 2007 Nonagricultural Employment Performance and 2008-2009 Updated Forecasts," starting on page 18.

The fourteen series used to measure the Virginia economy that are the only series on Virginia for which data is available, showed signs of slowing in Fourth Quarter 2007.

- ◆ October had five series up, two unchanged, and seven down.
- ◆ November was, by a very narrow margin, the best month with five series up, three unchanged, and six down.
- ◆ December had only one series up, four unchanged, and nine down.

Maybe they were the dying embers of the expansion period; but even with the slowing, Virginia seemed to still have a large number of positive record highs (seven) in the fourth quarter:

- ◆ Nonfarm payroll employment managed to inch forward to new highs each month of 3,764,800 in October; 3,766,600 in November; and 3,767,000 in December.
- ◆ Last-minute orders for holiday merchandise and a disappearing factory workforce spiked the length of the production workweek to a record 43.7 hours in November.



*Although the economy was slowing in the fourth quarter, seven high records were set in the Virginia Economic Indicators series.*



- ◆ Average hourly production earnings rose to a record \$18.40 in November.
- ◆ Average weekly production wages also reached a peak in November of \$803.52.
- ◆ Taxable retail sales were at an all-time high of \$9,004 million in October.

Unfortunately, there were also several negative records set, mostly related to the dwindling manufacturing base:

- ◆ Factory employment fell to record lows of 275,800 in October; 275,600 in November; and 274,600 in December.
- ◆ Total production worker hours reached a new low of 8,943,000 in October.

As we go to press, the things that are pulling down the national economy are also impacting Virginia—high fuel prices and the continuing imploding of financial and real estate markets, although construction in Virginia seems to be much better off than most of the rest of the country with over 90 percent of what problems we do have seeming to be confined to Northern Virginia.

The first quarter in Virginia this year had no employment-disrupting weather events. The very early Easter holiday in 2008 with its associated shopping and travel should benefit the March numbers to the detriment of the April numbers. Preliminary figures indicate employment has changed little from the fourth quarter on a seasonally adjusted basis and the seasonally adjusted unemployment rate is holding just above the 3.0 percent 2007 average although there seem to be more claimants from previous layoffs drawing benefits than in early spring 2007. The duration, or length, of claimants drawing benefits does not seem to be increasing. There may be less of a seasonal employment pickup this year in the second quarter than usual; but as of this writing, it is still too

early to tell. Also, January, February, and March 2008 had unusually long production workweeks, something that is usually seen when the economy is on the upswing.

The six-month moving average of rising indicators on page 17 serves to illustrate the quarter's performance. The moving average enhances analysis because it smoothes out much of the irregularity present in many of the individual series.

## Even with slowing growth, the Virginia Indicator Series managed to set seven all-time highs in Fourth Quarter 2007.

Although the economic news was becoming more pessimistic in 2007's final quarter, nonagricultural payroll employment in Virginia managed to achieve new seasonally adjusted record highs each month of the quarter.

Nonfarm employment rose 800 from September's record 3,764,000 to 3,764,800 in October; another 800 to 3,766,600 in November; and 400 to 3,767,000 in December. The only problem is the increments to the new highs were too small to register the 19,000 (plus, or minus, 0.5 percent) required to show change on the page 16 and 17 tables. Manufacturing employment also registered "no change" each fourth quarter month,

falling 800 from 276,600 in September to 275,800 in October; dropping 200 to 275,600 in November; and then being down 1,000 to 274,600 in December. All three figures were new record lows as the factory attrition continues.

The four unemployment-related series were mostly negative in October, then were mixed in November and December, but leaned toward the negative. The seasonally adjusted total unemployment rate rose from 3.1 percent in September to 3.2 percent in October, but then stayed at 3.2 percent for November and December. Average weekly initial claims climbed from 4,359 in



*Please be sure to see this issue's feature article, "Virginia 2007 Nonagricultural Employment Performance and 2008-2009 updated Forecasts," starting on page 18.*



September to 4,938 for October and 5,307 for November, before dropping back to 4,531 for December. The insured unemployment rate (which is the ratio of workers drawing benefits to the number eligible to draw benefits) dropped from 0.97 percent in September to 0.90 percent in October, and then rose to 0.93 percent in November and 1.01 percent in December (the highest level in over three years, since 1.05 percent in November 2004). Final payments (which to some extent reflect layoffs six months previous) rose from 3,116 in September to 3,273 in October, then fell to 2,763 in November, but were back up to 3,076 by December.

The four production worker hours and earnings series were all negative in October, all positive in November, and mostly negative in December. The length of the production workweek fell from 41.9 hours in September to 41.4 hours in October, then spiked to a record 43.7 hours in November before settling to 42.8 hours in December. November's record figure appears to be due to last-minute orders for holiday merchandise; but the whole fourth quarter was well above the 40.0 hour norm, indicating that while there are fewer and fewer production workers, those that are left are working extended workweeks. Total production hours worked were down from 9,101,000 in September to a record low 8,943,000 in October, but then were 9,437,000 in November and 9,193,000 in December. October's low figure reflected the dwindling factory workforce; then orders for last-minute holiday merchandise picked up

the November and December figures. The hourly factory pay rate was down from \$17.82 in September to \$17.68 in October, picked up to a record \$18.40 in November, and then slid slightly to \$18.35 by December. The average weekly factory wage followed a pattern similar to the hourly wage, being down from \$751.06 in September to \$732.53 in October, up to a record \$803.52 in November, and then backed off to \$786.17 in December.

The four business-related series had their usual wide swings. They were all positive in October and all negative in both November and December. Single family housing permits rose a little from September's 2,008 to 2,181 in October, but then continued to slide to 2,000 in November and 1,855 in December. New business incorporations were up to 1,748 in October from September's 24-year-low of 1,147, then were 1,435 in November, and 1,368 in December. New light vehicle registrations rose from 38,447 in September to a not too bad 42,233 in October, but then trailed off to 41,646 in November, and 37,168 in December, the lowest since 36,351 in December 2001. Taxable retail sales rose from \$8,622 million in September to a record \$9,004 million in October with fall and harvest purchases, but then a lackluster holiday sales season produced figures of only \$8,842 million in November and \$8,623 million in December. Taxable retail sales in December 2007 were only 0.7 percent better than December 2006 taxable retail sales.



*Even with the economy slowing, Virginia still seemed to be better off than most other places in the country.*

## EMPLOYMENT INDICATORS

	Nonagricultural Wage and Salary Employment* (Thousands)		Manufacturing Employment* (Thousands)		Total Unemployment Rate* (Percent)	
2006	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	3,654.1	3,710.9	291.3	293.0	3.2	3.1
February	3,664.7	3,714.9	290.3	291.7	3.3	3.0
March	3,700.7	3,721.5	289.4	290.1	3.0	3.0
April	3,714.0	3,719.2	290.4	291.0	2.8	3.0
May	3,743.3	3,726.2	290.4	290.6	2.9	2.9
June	3,777.6	3,731.7	291.1	289.7	3.2	3.0
July	3,724.7	3,727.3	288.6	289.3	3.2	3.0
August	3,720.5	3,729.5	289.4	288.5	3.2	3.1
September	3,734.8	3,727.7	286.4	285.5	3.1	3.2
October	3,744.6	3,730.1	284.5	284.2	2.8	3.1
November	3,763.4	3,736.5	283.1	282.5	2.9	3.0
December	3,775.2	3,742.6	282.6	281.8	2.8	3.0
<b>2007</b>						
January	3,699.8	3,756.9	279.4	281.1	3.2	2.8
February	3,705.7	3,755.7	280.6	281.9	3.2	2.9
March	3,737.1	3,757.4	280.8	281.4	2.9	2.9
April	3,751.3	3,756.2	280.2	280.6	2.7	2.9
May	3,777.6	3,759.9	279.7	279.8	2.8	3.0
June	3,809.4	3,762.7	281.4	279.9	3.1	3.0
July	3,758.0	3,761.0	279.1	279.7	3.1	3.0
August	3,752.3	3,762.1	278.2	277.3	3.2	3.1
September	3,770.0	3,764.0	277.3	276.6	3.0	3.1
October	3,777.6	3,764.8	275.9	275.8	3.0	3.2
November	3,791.5	3,766.6	275.9	275.6	3.0	3.2
December	3,797.5	3,767.0	275.2	274.6	3.2	3.2

\* These series have been adjusted to First Quarter 2007 benchmarks.

## UNEMPLOYMENT INSURANCE INDICATORS

	Average Weekly Initial Claims		Insured Unemployment Rate (Percent)		Unemployment Insurance Final Payments	
2006	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
January	7,387	5,161	1.16	0.92	3,288	3,148
February	4,521	4,527	1.00	0.86	2,873	3,027
March	4,310	4,782	0.87	0.83	3,099	2,753
April	3,658	4,452	0.83	0.87	3,159	2,982
May	4,089	4,931	0.83	0.85	3,497	3,237
June	4,234	4,664	0.78	0.84	2,905	2,728
July	5,576	4,970	0.95	0.99	2,842	2,767
August	4,331	5,174	0.81	0.89	3,409	3,130
September	4,237	5,068	0.79	0.93	2,500	2,956
October	4,713	5,165	0.89	0.97	2,893	3,203
November	5,724	5,476	0.90	0.93	2,660	2,942
December	6,647	4,947	0.96	0.91	2,618	2,922
<b>2007</b>						
January	7,301	5,076	1.09	0.86	3,506	3,315
February	5,813	5,808	1.08	0.93	2,911	3,056
March	4,580	5,059	0.95	0.91	3,153	2,794
April	4,265	5,189	0.92	0.96	3,054	2,918
May	3,961	4,771	0.91	0.93	3,573	3,274
June	4,093	4,528	0.83	0.90	2,933	2,759
July	4,995	4,436	0.79	0.82	3,470	3,427
August	3,829	4,567	0.63	0.69	3,149	2,863
September	3,617	4,359	0.82	0.97	2,630	3,116
October	4,519	4,938	0.84	0.90	2,956	3,273
November	5,603	5,307	0.90	0.93	2,496	2,763
December	5,991	4,531	1.07	1.01	2,741	3,076

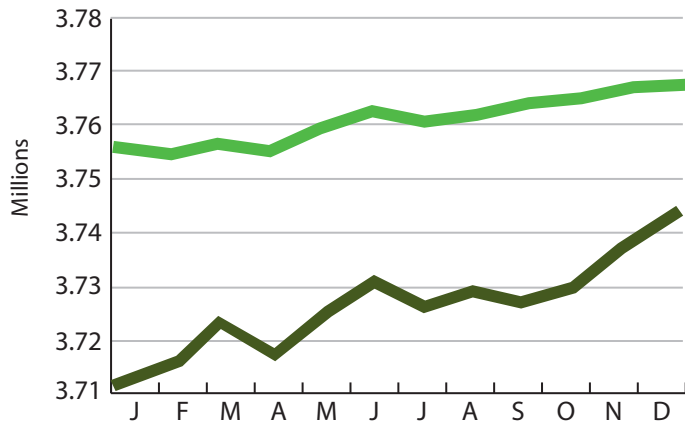
## EMPLOYMENT INDICATORS

January 2006 - December 2007

2006

2007

### Nonagricultural Wage and Salary Employment



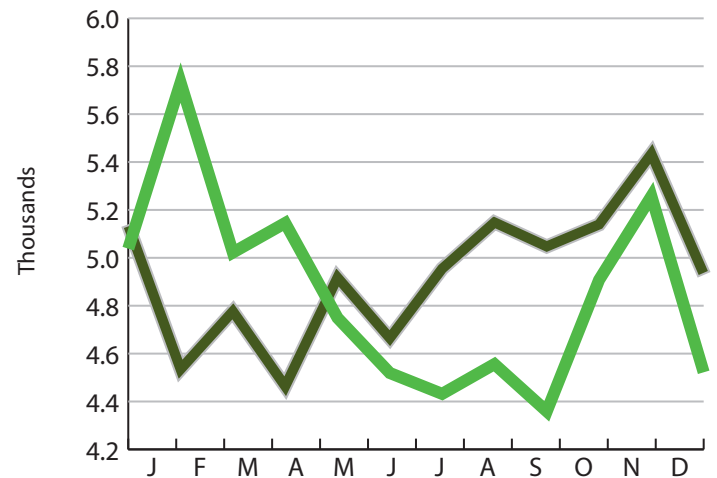
## UNEMPLOYMENT INSURANCE INDICATORS

January 2006 - December 2007

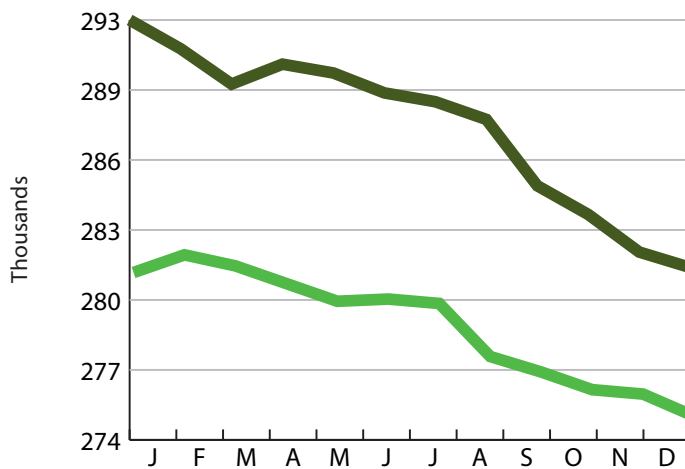
2006

2007

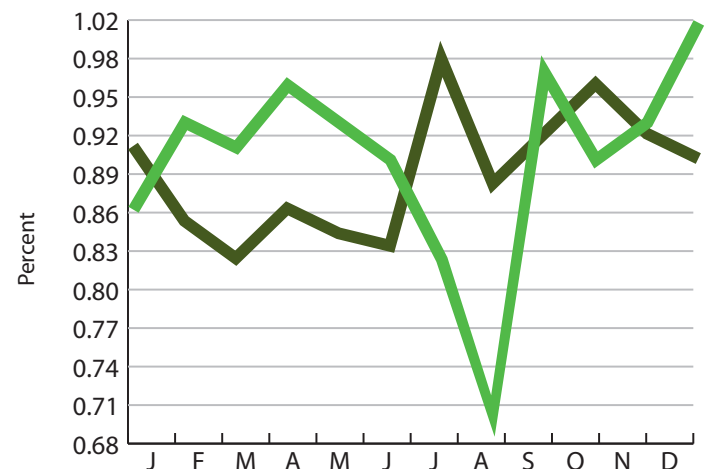
### Average Weekly Initial Claims



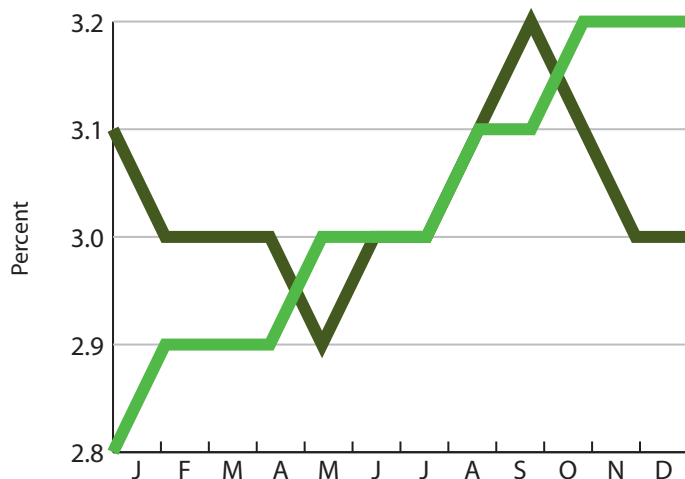
### Manufacturing Employment



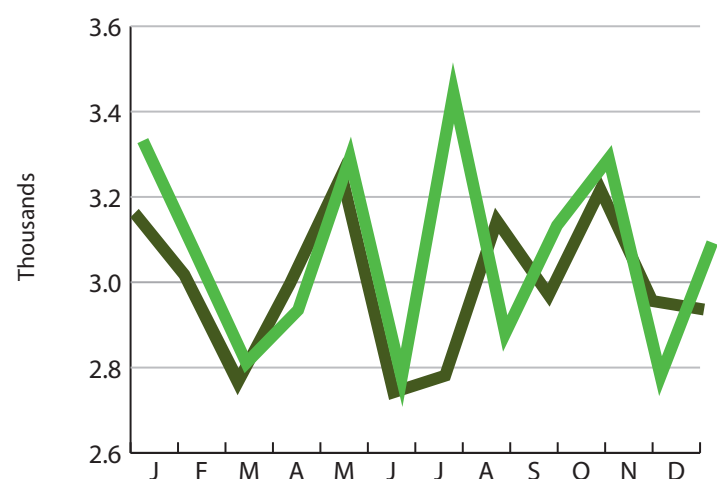
### Insured Unemployment Rate



### Total Unemployment Rate



### Unemployment Insurance Final Payments



## MANUFACTURING PRODUCTION WORKER INDICATORS

	Average Weekly Hours*		Average Hourly Earnings* (Dollars)		Deflated Average Hourly Earnings* (1982-84 Dollars)	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
<b>2006</b>						
January	41.7	41.5	16.51	16.50	8.51	8.45
February	40.9	41.0	16.71	16.69	8.60	8.54
March	40.9	41.1	16.75	16.84	8.58	8.63
April	40.6	41.1	16.70	16.64	8.47	8.46
May	41.5	41.4	16.63	16.70	8.39	8.46
June	41.8	41.4	16.81	16.74	8.46	8.46
July	41.4	41.9	16.62	16.64	8.34	8.38
August	40.8	41.2	16.70	16.79	8.37	8.43
September	41.4	41.5	16.74	16.76	8.44	8.48
October	41.3	41.0	16.90	16.91	8.58	8.65
November	40.8	40.8	16.90	16.94	8.59	8.55
December	42.0	41.1	16.97	16.81	8.61	8.47
<b>2007</b>						
January	41.3	41.1	17.09	17.08	8.65	8.58
February	41.1	41.2	17.06	17.04	8.59	8.52
March	41.5	41.8	17.08	17.18	8.51	8.56
April	41.1	41.6	17.35	17.28	8.58	8.58
May	41.5	41.4	17.26	17.34	8.47	8.55
June	42.6	42.2	17.70	17.62	8.68	8.67
July	41.8	42.3	17.71	17.73	8.69	8.73
August	42.2	42.7	17.67	17.76	8.70	8.75
September	41.8	41.9	17.79	17.82	8.73	8.77
October	41.8	41.4	17.67	17.68	8.65	8.72
November	43.6	43.7	18.35	18.40	8.91	8.88
December	43.7	42.8	18.51	18.35	9.00	8.86

## MANUFACTURING PRODUCTION WORKER INDICATORS (CONTINUED)

	Total Production Hours* (Thousands)		Average Weekly Earnings* (Dollars)		Deflated Average Weekly Earnings* (1982-84 Dollars)	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
<b>2006</b>						
January	9,412	9,420	688.47	684.64	354.88	350.95
February	9,211	9,276	683.44	686.53	351.93	351.89
March	9,194	9,285	685.08	691.44	350.78	353.43
April	9,172	9,279	678.02	682.66	343.82	346.77
May	9,371	9,352	690.15	690.08	348.21	348.07
June	9,459	9,319	702.66	691.12	353.81	349.92
July	9,294	9,445	688.07	696.71	345.42	351.25
August	9,237	9,300	681.36	692.02	341.36	348.01
September	9,278	9,283	693.04	700.04	349.31	353.66
October	9,193	9,104	697.97	692.50	354.30	352.64
November	9,033	9,024	689.52	691.04	350.37	350.54
December	9,290	9,075	712.74	692.59	361.43	348.90
<b>2007</b>						
January	9,032	9,037	705.82	701.40	357.27	352.96
February	9,026	9,087	701.17	703.21	353.16	352.42
March	9,113	9,204	708.82	715.47	353.33	356.29
April	9,021	9,122	713.09	718.04	352.79	355.78
May	9,093	9,081	716.29	717.15	351.71	351.95
June	9,398	9,259	754.02	742.36	369.79	366.13
July	9,137	9,270	740.28	748.36	363.42	369.10
August	9,208	9,275	745.67	757.49	366.97	374.30
September	9,096	9,101	743.62	751.06	364.72	369.22
October	9,029	8,943	738.61	732.53	361.46	359.85
November	9,426	9,437	800.06	803.52	388.58	389.25
December	9,413	9,193	808.89	786.17	393.09	379.54

\* These series have been adjusted to First Quarter 2007 benchmarks.



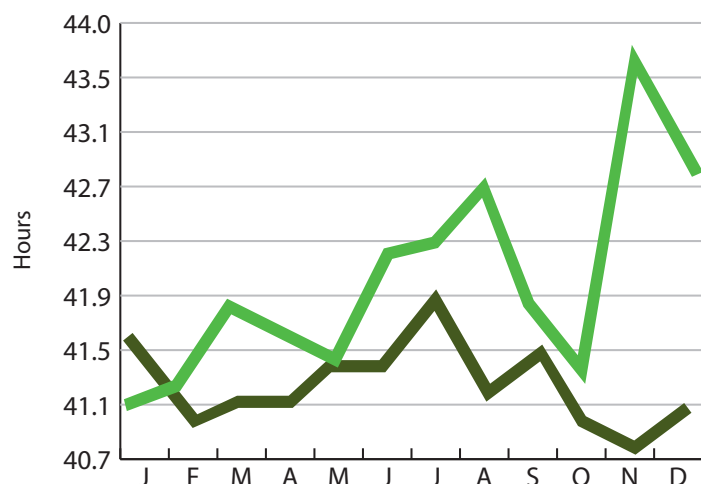
# MANUFACTURING PRODUCTION WORKER INDICATORS

January 2006 - December 2007

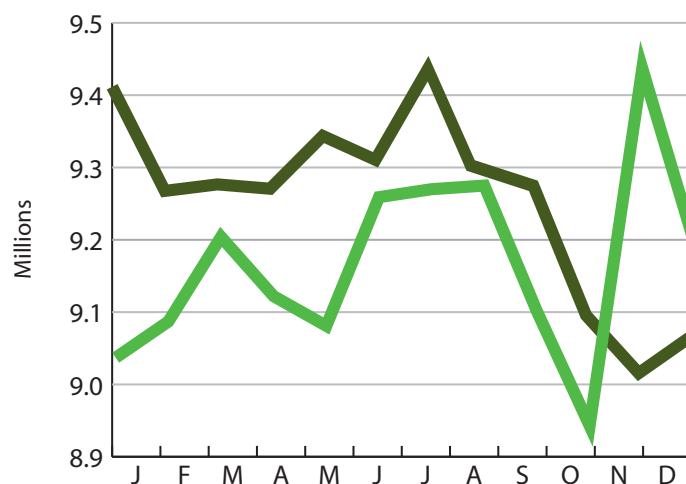
2006

2007

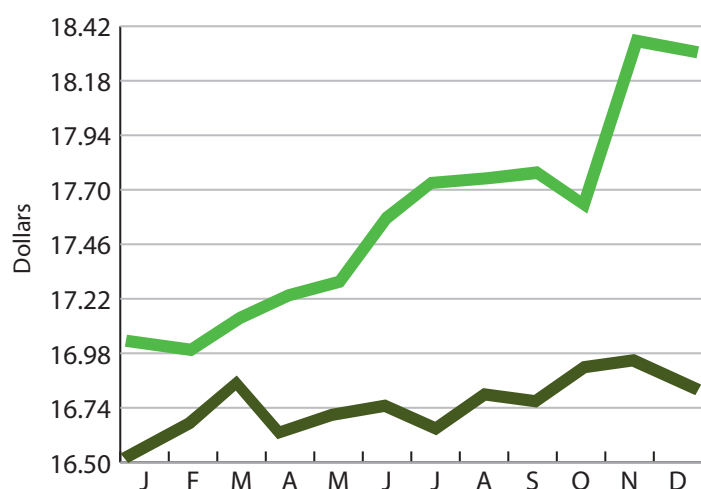
## Average Weekly Hours



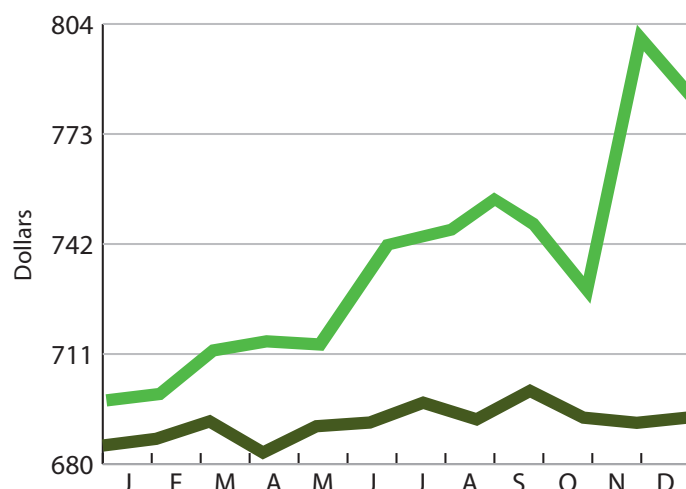
## Total Production Hours



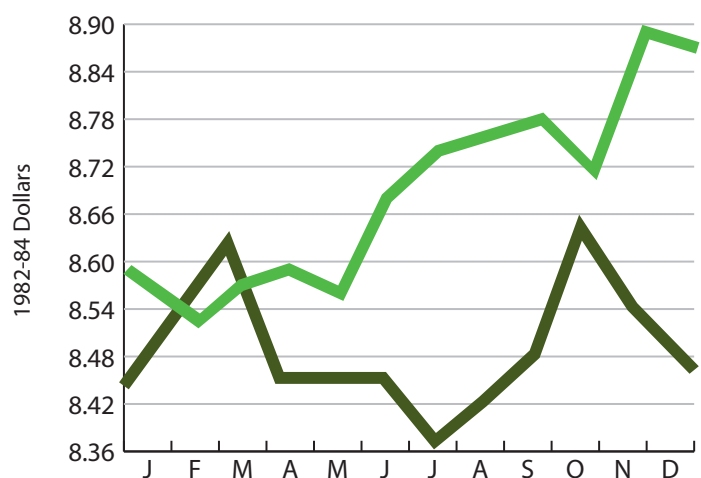
## Average Hourly Earnings



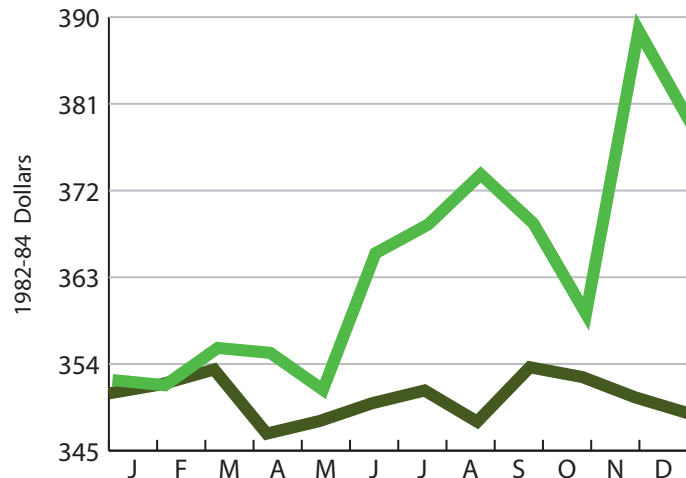
## Average Weekly Earnings



## Deflated Average Hourly Earnings



## Deflated Average Weekly Earnings



## BUSINESS INDICATORS

	Single Family Housing Permits		New Business Incorporations		New Vehicle Registrations	
<b>2006</b>	<b>Unadjusted</b>	<b>Adjusted</b>	<b>Unadjusted</b>	<b>Adjusted</b>	<b>Unadjusted</b>	<b>Adjusted</b>
January	3,368	3,959	1,715	2,004	42,165	46,412
February	3,546	3,975	1,762	1,627	36,957	47,607
March	4,287	3,759	2,185	1,720	48,908	45,815
April	3,950	3,495	1,452	1,332	46,085	43,191
May	3,975	3,398	1,891	1,756	52,423	46,454
June	3,663	3,090	1,807	1,718	51,645	44,533
July	2,980	2,861	1,607	1,679	46,487	43,670
August	3,102	2,919	1,555	1,596	53,772	46,848
September	2,511	2,714	1,506	1,549	45,852	43,565
October	2,694	2,805	1,410	1,571	45,579	44,799
November	2,444	2,892	1,320	1,599	37,088	44,274
December	2,033	2,589	1,325	1,418	35,388	46,048
<b>2007</b>						
January	2,350	2,765	1,560	1,829	41,967	46,072
February	2,588	2,891	1,553	1,429	33,096	42,513
March	3,082	2,683	1,885	1,466	45,232	42,332
April	2,936	2,605	1,549	1,424	46,993	44,171
May	3,156	2,671	1,596	1,476	55,429	48,922
June	3,057	2,568	1,575	1,501	49,747	43,067
July	2,751	2,647	1,315	1,384	44,414	41,951
August	2,491	2,362	1,534	1,561	47,082	40,718
September	1,849	2,008	1,114	1,147	40,381	38,447
October	2,084	2,181	1,558	1,748	43,040	42,233
November	1,702	2,000	1,185	1,435	35,045	41,646
December	1,443	1,855	1,271	1,368	28,170	37,168

## BUSINESS INDICATORS (CONTINUED)

	Taxable Retail Sales (Millions of Dollars)		Deflated Taxable Retail Sales (Millions of 1982-84 Dollars)	
<b>2006</b>	<b>Unadjusted</b>	<b>Adjusted</b>	<b>Unadjusted</b>	<b>Adjusted</b>
January	7,182	8,339	3,702	4,272
February	7,395	8,429	3,808	4,321
March	8,677	8,561	4,443	4,384
April	8,586	8,690	4,354	4,426
May	8,638	8,590	4,358	4,359
June	9,185	8,653	4,625	4,378
July	8,284	8,407	4,159	4,214
August	8,682	8,770	4,350	4,415
September	8,621	8,659	4,345	4,381
October	8,495	8,465	4,312	4,289
November	8,557	8,729	4,348	4,426
December	10,554	8,562	5,352	4,313
<b>2007</b>				
January	7,714	8,942	3,905	4,496
February	7,807	8,898	3,932	4,459
March	8,895	8,766	4,434	4,368
April	8,586	8,683	4,248	4,316
May	9,045	8,967	4,441	4,430
June	9,299	8,732	4,560	4,304
July	8,633	8,789	4,238	4,308
August	8,849	8,932	4,355	4,419
September	8,557	8,622	4,197	4,245
October	9,028	9,004	4,418	4,398
November	8,687	8,842	4,219	4,284
December	10,572	8,623	5,138	4,162

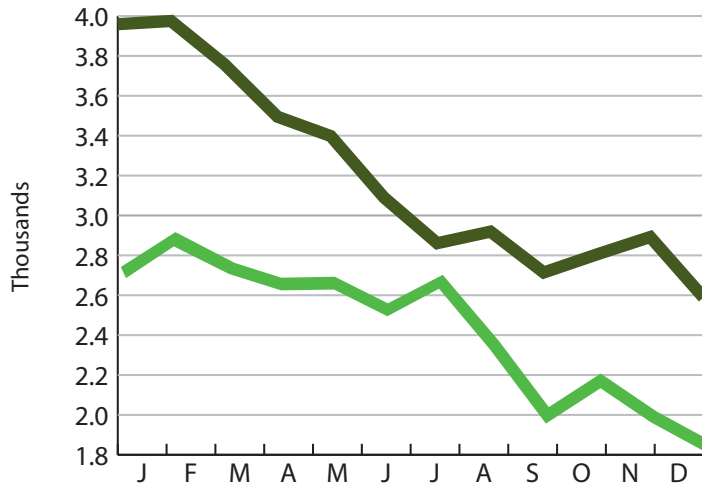
# BUSINESS INDICATORS

January 2006 - December 2007

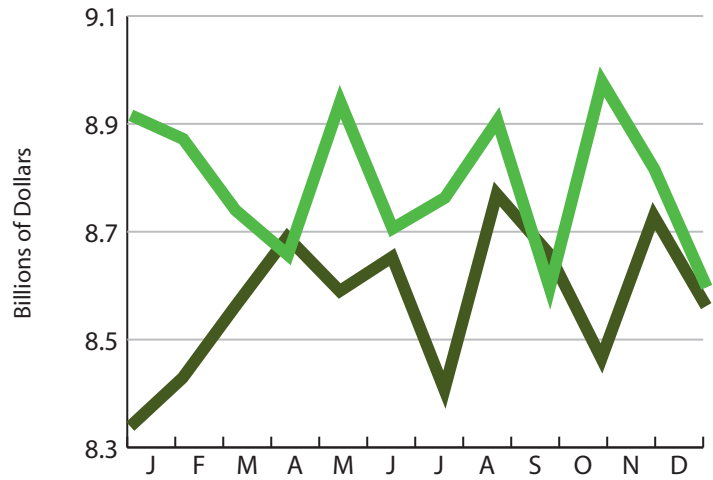
2006

2007

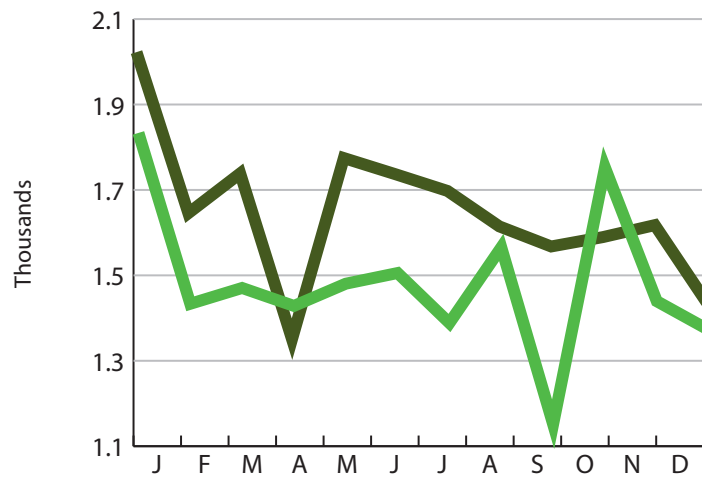
## Single Family Housing Permits



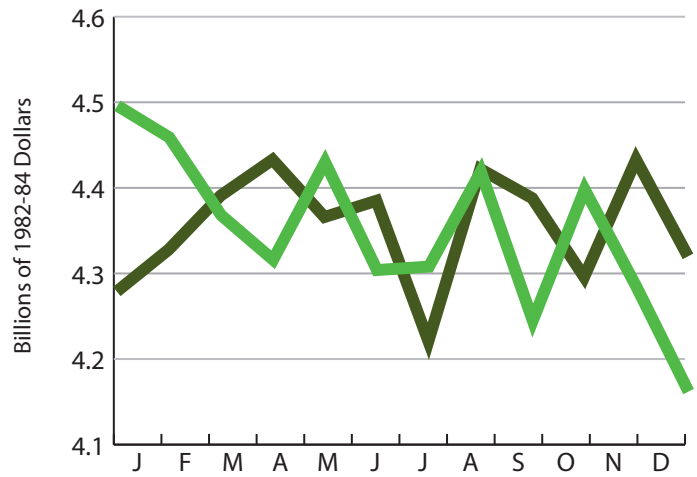
## Taxable Retail Sales



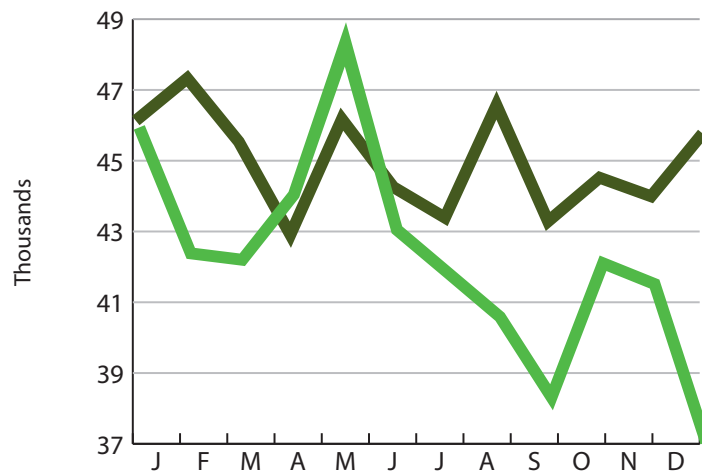
## New Business Incorporations



## Deflated Taxable Retail Sales



## New Vehicle Registrations



# DATA SUMMARY (SEASONALLY ADJUSTED DATA)

# OCTOBER 2007

	Oct. 2007	Sep. 2007	Oct. 2006	Percent & Direction of Change**	
				Sep. 2007 - Oct. 2007	Oct. 2006 - Oct. 2007
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,764.8	3,764.0	3,730.1	0.0 (0)	0.9 (+)
*Manufacturing Employment (000)	275.8	276.6	284.2	-0.3 (0)	-3.0 (-)
*Total Unemployment Rate (%)	3.2	3.1	3.1	(-)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	4,938	4,359	5,165	13.3 (-)	-4.4 (+)
Insured Unemployment Rate (%)	0.90	0.97	0.97	(+)	(+)
Final Payments	3,273	3,116	3,203	5.0 (-)	2.2 (-)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	41.4	41.9	41.0	-1.2 (-)	1.0 (+)
*Total Production Hours (000)	8,943	9,101	9,104	-1.7 (-)	-1.8 (-)
*Average Hourly Earnings (\$)	17.68	17.82	16.91	-0.8 (-)	4.6 (+)
*Average Weekly Earnings (\$)	732.53	751.06	692.50	-2.5 (-)	5.8 (+)
BUSINESS					
Single Family Housing Permits	2,181	2,008	2,805	8.6 (+)	-22.2 (-)
New Business Incorporations	1,748	1,147	1,571	52.4 (+)	11.3 (+)
New Vehicle Registrations	42,233	38,447	44,799	9.8 (+)	-5.7 (-)
Taxable Retail Sales (\$M)	9,004	8,622	8,465	4.4 (+)	6.4 (+)

# DATA SUMMARY (SEASONALLY ADJUSTED DATA)

# NOVEMBER 2007

	Nov. 2007	Oct. 2007	Nov. 2006	Percent & Direction of Change**	
				Oct. 2007 - Nov. 2007	Nov. 2006 - Nov. 2007
EMPLOYMENT					
*Nonag Wage & Salary Emp (000)	3,766.6	3,764.8	3,736.5	0.0 (0)	0.8 (+)
*Manufacturing Employment (000)	275.6	275.8	282.5	-0.1 (0)	-2.4 (-)
*Total Unemployment Rate (%)	3.2	3.2	3.0	(0)	(-)
UNEMPLOYMENT INSURANCE					
Average Weekly Initial Claims	5,307	4,938	5,476	7.5 (-)	-3.1 (+)
Insured Unemployment Rate (%)	0.93	0.90	0.93	(-)	(0)
Final Payments	2,763	3,273	2,942	-15.6 (+)	-6.1 (+)
MANUFACTURING PRODUCTION WORKERS					
*Average Weekly Hours	43.7	41.4	40.8	5.6 (+)	7.1 (+)
*Total Production Hours (000)	9,437	8,943	9,024	5.5 (+)	4.6 (+)
*Average Hourly Earnings (\$)	18.40	17.68	16.94	4.1 (+)	8.6 (+)
*Average Weekly Earnings (\$)	803.52	732.53	691.04	9.7 (+)	16.3 (+)
BUSINESS					
Single Family Housing Permits	2,000	2,181	2,892	-8.3 (-)	-30.8 (-)
New Business Incorporations	1,435	1,748	1,599	-17.9 (-)	-10.3 (-)
New Vehicle Registrations	41,646	42,233	44,274	-1.4 (-)	-5.9 (-)
Taxable Retail Sales (\$M)	8,842	9,004	8,729	-1.8 (-)	1.3 (+)



# DATA SUMMARY (SEASONALLY ADJUSTED DATA)

DECEMBER 2007

	Dec. 2007	Nov. 2007	Dec. 2006	Percent & Direction of Change**	
				Nov. 2007 - Dec. 2007	Dec. 2006 - Dec. 2007
<b>EMPLOYMENT</b>					
*Nonag Wage & Salary Emp (000)	3,767.0	3,766.6	3,742.6	0.0 (0)	0.7 (+)
*Manufacturing Employment (000)	274.6	275.6	281.8	-0.4 (0)	-2.6 (-)
*Total Unemployment Rate (%)	3.2	3.2	3.0	(0)	(-)
<b>UNEMPLOYMENT INSURANCE</b>					
Average Weekly Initial Claims	4,531	5,307	4,947	-14.6 (+)	-8.4 (+)
Insured Unemployment Rate (%)	1.01	0.93	0.91	(-)	(-)
Final Payments	3,076	2,763	2,922	11.3 (-)	5.3 (-)
<b>MANUFACTURING PRODUCTION WORKERS</b>					
*Average Weekly Hours	42.8	43.7	41.1	-2.1 (-)	4.1 (+)
*Total Production Hours (000)	9,193	9,437	9,075	-2.6 (-)	1.3 (+)
*Average Hourly Earnings (\$)	18.35	18.40	16.81	-0.3 (0)	9.2 (+)
*Average Weekly Earnings (\$)	786.17	803.52	692.59	-2.2 (-)	13.5 (+)
<b>BUSINESS</b>					
Single Family Housing Permits	1,855	2,000	2,589	-7.3 (-)	-28.4 (-)
New Business Incorporations	1,368	1,435	1,418	-4.7 (-)	-3.5 (-)
New Vehicle Registrations	37,168	41,646	46,048	-10.8 (-)	-19.3 (-)
Taxable Retail Sales (\$M)	8,623	8,842	8,562	-2.5 (-)	0.7 (+)

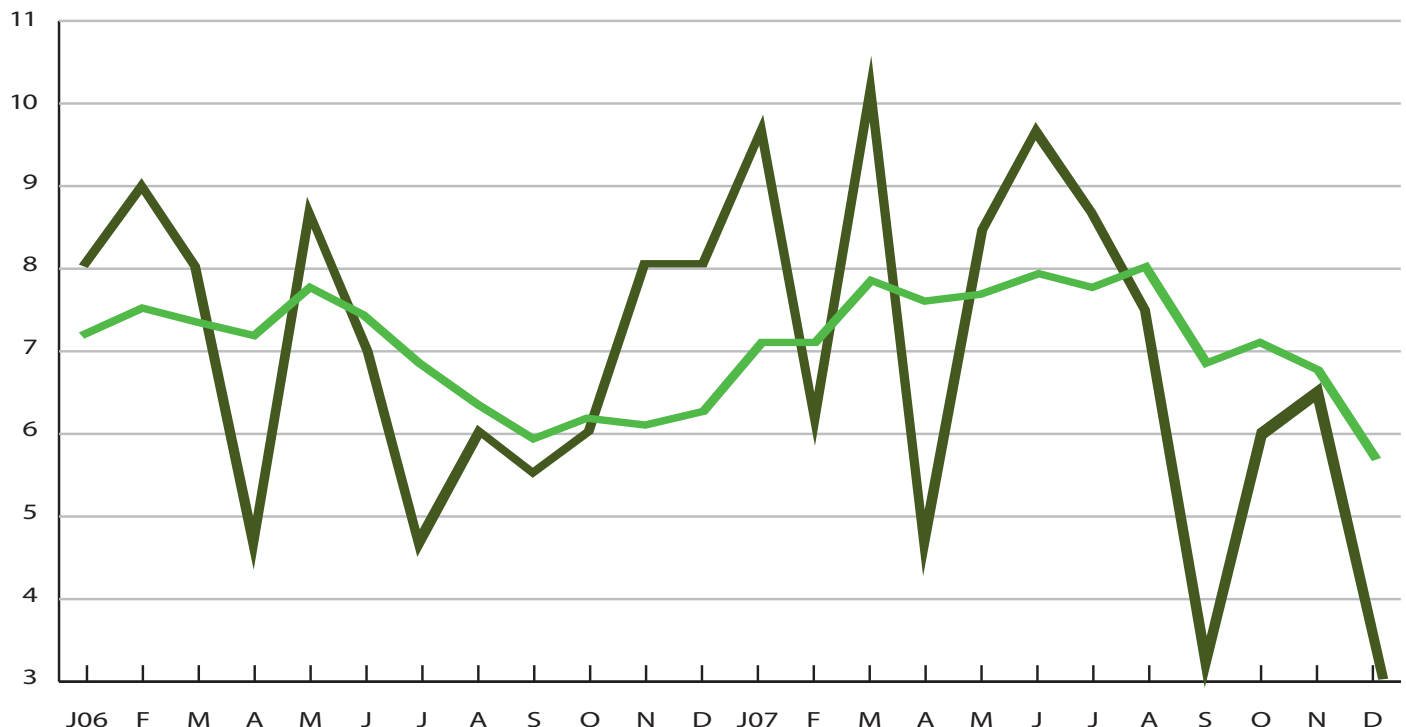
\* Revised to 1st Quarter 2007 benchmarks.

\*\* (+) Favorable, (-) Not Favorable, (0) Change between +/- 0.5%.

## NUMBER OF SERIES MOVING FAVORABLY

Plus One-Half the Number Unchanged

Monthly Total 6-Month Moving Average





# VIRGINIA 2007 NONAGRICULTURAL EMPLOYMENT PERFORMANCE AND 2008 -2009 UPDATED FORECASTS

William F. Mezger, Chief Economist

**Nonagricultural wage and salary employment, one of the fourteen series used regularly in this publication to measure the Virginia Economy, is annually revised to new benchmarks (unemployment compensation employer tax records) in the first quarter of the calendar year. The table on page 19 shows a comparison of revised annual average 2007 and 2006 nonfarm employment on the new benchmark basis.**

The annual benchmark revisions to the unemployment insurance tax records reveal 2007 Virginia job growth was slower than the monthly Current Employment Statistics (CES) estimates had indicated. The new benchmarks show Virginia added 34,200 jobs for a 0.9 percent growth rate in 2007 versus the earlier projected 55,600 jobs, or 1.5 percent, rate of gain, which had been in the January 2008 Virginia Employment Commission's (VEC's) *Economic Assumptions for the United States and Virginia*. The projections for 2007 had been made for the Virginia Employment Commission (VEC) by Global Insight, using the VEC's monthly preliminary nonfarm employment estimates, before benchmarking, as a basis. The revisions show nonagricultural employment in Virginia (on a place-of-work basis) averaged 3,760,700 in 2007 versus the projected 3,781,800. A faster rate of decrease in manufacturing (9,500 jobs, or 3.3 percent) and construction (8,000 jobs, or 3.2 percent), especially late in the year, were primarily responsible for lowering the revised job growth numbers; but information, finance, and mining each also lost several hundred jobs.

What is significant to Virginia's economic health is that the mainstays of the state's expansion in recent years still performed very well. Professional and business services added 15,300 jobs, or 2.4 percent (44.7 percent of state growth); private education and health services added 11,700 jobs, or 2.9 percent (much better than the projected 8,600, or 2.1 percent); total government added 11,300 jobs, or 1.7 percent; and leisure and hospitality, buoyed by all the Jamestown-related activities, added 7,200 jobs, or 2.1 percent.

Revisions of Virginia figures for the final months of 2006 show very minimal adjustment. The revised state

nonfarm employment average of 3,726,500 for 2006 was 300 higher than the 3,726,200 average reported at benchmark time one year ago. Virginia added 62,100 jobs in 2006 for a 1.7 percent job growth rate.

## Industry Growth

*(using the 2007 revisions to the North American Industry Classification System [NAICS])*

Virginia's best 2007 individual industry job gain, as usual, was in **professional and business services**, which added 15,300 jobs, or 2.4 percent, for an average of 643,800. This industry continues to generate the most new jobs in Virginia (44.7 percent of the state increase). Most of these jobs have high education and skill requirements and pay a high wage. (The average weekly wage in Virginia for professional and technical service workers was \$1,525 in Second Quarter 2007, the latest quarter for which wage data is available.) The best subsector gainers were computer systems software design, up 6,200, or 5.2 percent, and professional management of companies, up 1,200, or 1.6 percent.

**Private education and health care** added 11,700 jobs for a 2.9 percent gain to a level of 417,000. On a percentage basis, this was the best job gain, and it was the second-largest number of new jobs added. This category surpassed the projected increase of 8,600 jobs, or 2.1 percent growth. The health care field saw impressive gains of 10,800 jobs, or 3.3 percent, as an affluent aging population needs and demands more and better health services. Physicians' and dentists' private practices, up 4,800, or 3.9 percent; private social assistance, up 3,000, or 6.6 percent; nursing and resident homes, up 1,700, or 2.8 percent; and hospitals, up 1,300, or 1.4 percent, all saw increases. Employment at private schools and colleges grew 800, or 1.0 percent.

The **total government** category grew by 11,300 jobs, or 1.7 percent, to a level of 686,100. Adding the largest number of jobs was local government, up 5,500, or 1.5 percent, with most of this increase being in the local school systems, which in a number of jurisdictions are the largest single employer. State government, up 3,700, or 2.4 percent, also saw most of its increment at state colleges and universities. Virginia's institutions of higher education are an export industry for the state, educating many students from outside of Virginia, and bringing in tuitions, grants, and other fees. These institutions are important engines of economic growth in some local economies, like Charlottesville, Harrisonburg, and Blacksburg-Christiansburg-Radford. Federal civilian employment, also an export industry for Virginia, added 2,100 workers for a 1.4 percent gain to an employment level of 156,600. Most of the gain was in defense, and Virginia with over 81,000 federal civilian defense workers has more than any other state.

The **leisure and hospitality** industry, buoyed by all the Jamestown-celebration-related activities in

2007, added 7,200 jobs for 2.1 percent growth to an employment total of 345,900. High fuel prices and the inconvenience of flying made Virginia attractions popular destinations to travelers from the nearby populous Northeast.

**Wholesale and retail trade** employment expanded by 4,300 jobs, or 0.8 percent, to an average of 547,700. Wholesalers, up 1.3 percent, added workers faster than retailers who gained jobs at a 0.7 percent rate.

**Miscellaneous services** grew 3,400, or 1.9 percent, to a level of 185,000. Most miscellaneous service subsectors grew, but religious and charity organizations, up 2,200, or 2.0 percent, had the biggest increase.

**Transportation, warehousing, and utilities** employment averaged 119,900 in 2007, 400, or 0.3 percent, higher than the 2006 average. Airlines generally had the best year since the tragic September 11, 2001, events; but the shipment of cargo slowed with the economy.

## Employment in Nonagricultural Industries in Virginia Annual Averages\* Revised to 2007 Benchmarks in February 2008

(using 2007 revisions to the NAICS categories)

Industry	2007 Averages	2006 Averages	Change	
			Number	Percent
Total Nonfarm Jobs	3,760,700	3,726,500	+34,200	+0.9
Mining	11,000	11,300	-300	-2.6
Construction	240,800	248,800	-8,000	-3.2
Manufacturing	278,600	288,100	-9,500	-3.3
Durable Goods	164,000	170,000	-6,000	-3.5
Nondurable Goods	114,600	118,100	-3,500	-3.0
Trade	547,700	543,400	+4,300	+0.8
Wholesale Trade	121,100	119,600	+1,500	+1.3
Retail Trade	426,600	423,800	+2,800	+0.7
Transportation, Warehousing, and Utilities	119,900	119,500	+400	+0.3
Information	90,700	91,600	-900	-1.0
Finance, Insurance, and real estate	194,200	194,800	-600	-0.3
Professional and Business Services	643,800	628,500	+15,300	+2.4
Private Education and Health Services	417,000	405,300	+11,700	+2.9
Private Schools and Colleges	81,000	80,200	+800	+1.0
Leisure and Hospitality Services	345,900	338,700	+7,200	+2.1
Accommodations and Food Services	299,000	293,200	+5,800	+2.0
Miscellaneous Services	185,000	181,600	+3,400	+1.9
Total Government	686,100	674,800	+11,300	+1.7
Federal Government	156,600	154,500	+2,100	+1.4
State Government	156,300	152,600	+3,700	+2.4
Local Government	373,200	367,700	+5,500	+1.5

\*Some totals may not add due to rounding to the nearest one hundred.

Virginia continued to lose **manufacturing** jobs with employment being down 9,500, or 3.3 percent, to a level of 278,600. In 2007, manufacturing jobs made up only 7.4 percent of Virginia nonfarm employment, and manufacturing was now only the sixth-largest employing sector. Factory employment losses were responsible for 44.4 percent of the 2007 nonfarm employment overestimation. Both durable and nondurable goods lost employment in 2007, being down 6,000, or 3.5 percent, to 164,000 and 3,500, or 3.0 percent, to 114,600, respectively. The biggest single loss this year was the closing of the 2,400-job Norfolk Ford truck assembly plant in June as the vehicle maker tried to economize and cut costs. Furniture, textiles, and apparel jobs continued to be lost in 2007, but no plant closing in these industries was as prominent as the 3,000-job Dan River Mills, Danville, closing in March 2006. Also, because of the slump in residential building, there was job attrition from many small firms in the lumber and millwork industry.

**Construction** employment was down 8,000, or 3.2 percent, to a 2007 employment average of 240,800 jobs. Construction employment in Virginia was the third highest on record with 2007's 240,800 level being eclipsed by 248,800 in 2006 (the all-time record to date) and 243,600 in 2005. The 8,000-job construction loss in 2007 was responsible for 37.4 percent of the year's 21,400 overshoot of the nonfarm employment estimate. While much of this year's construction slump was in residential building because of the national mortgage market situation, all major construction sectors lost jobs by year's end. Northern Virginia was the most affected area with construction employment there being down 7,500 jobs, or 7.9 percent. Northern Virginia accounted for almost 94 percent of the statewide construction job loss.

**Information** industry employment, at 90,700, was down 900, or 1.0 percent, from its 2006 employment average with the loss continuing to be in the volatile telecommunications subsector.

**Finance, insurance, and real estate** experienced a 600, or 0.3 percent loss, bringing the 2007 average employment level down to 194,200. Most of the loss was in the Richmond and Northern Virginia metropolitan areas because of downsizing layoffs in credit card finance and mortgage banking.

Virginia **mines** saw a 300, or 2.6 percent, reduction in their average employment level to 11,000. Employment and production were off slightly as Virginia coal seams became more difficult to extract and miners hired in the 1970s coal boom retired and had to be replaced.



## Metropolitan and Small Area Employment Changes

Virginia's ten metropolitan areas had a combined net nonfarm job gain of 36,400 for a 1.1 percent 2007 average growth rate. Since this was better than the 34,200 job, or 0.9 percent, increase in the state as a whole, the nonmetropolitan rural remainder of state had a net job loss of 2,200 jobs, or 0.5 percent, in 2007. Average employment in the rural balance of state was 432,900 in 2007, down from 435,100 in 2006. Most all of the rural job loss was in jurisdictions below Interstate 64, while some rural jurisdictions above Interstate 64 saw slight job gains.

Eight of the state's ten metropolitan areas added jobs in 2007 with only the Blacksburg-Christiansburg-Radford metropolitan area being down by 500 jobs, or 0.7 percent. The Harrisonburg area average nonfarm employment was unchanged from 2006. Five of the ten metropolitan areas—Charlottesville, up 3.0 percent; Richmond, up 1.3 percent; Northern Virginia and Lynchburg, both up 1.2 percent; and Virginia Beach-Norfolk-Newport News, Virginia/North Carolina, up 1.0 percent—grew faster than the 0.9 percent statewide rate of job increase.

The three-largest metropolitan areas—Northern Virginia, Virginia Beach-Norfolk-Newport News, Virginia/North Carolina, and Richmond—which comprise 72.3 percent of Virginia employment, saw a combined 31,200 jobs added for 91.2 percent of the 2007 statewide job creation of 34,200. Northern Virginia, although slowed from 2006 by the real estate slump, still managed to create 15,500 jobs, which was 45.3 percent of the statewide job gain. The three large metropolitan areas had a combined job growth rate of 1.2 percent with the Richmond area, up 1.3 percent, growing the fastest of the three.

- ◆ **Charlottesville**—up 3.0 percent, or 3,000, to 102,100. The Charlottesville area with an average 102,100 nonfarm jobs in 2007, passed the 100,000 average nonfarm employment mark for the first time. This area had the best job growth of all Virginia metropolitan areas and was one of the nation's best medium-sized metropolitan areas for



job gain. Charlottesville performed well before and after benchmarking with the best gain in the total government sector (up 4.4 percent, or 1,300), which contains the dominant employer University of Virginia/University Medical Center. Also seeing strong growth were the private service-providing industries, up 3.0 percent, or 1,700, which to some extent provide support services to the university and hospital faculties, staffs, and student bodies. The service-providing industries saw growth of 6.2 percent, or 700, in professional/business services and 5.6 percent, or 600, in leisure/hospitality. Goods-producing employment was unchanged at 11,600, which would indicate construction is holding its own in this area.

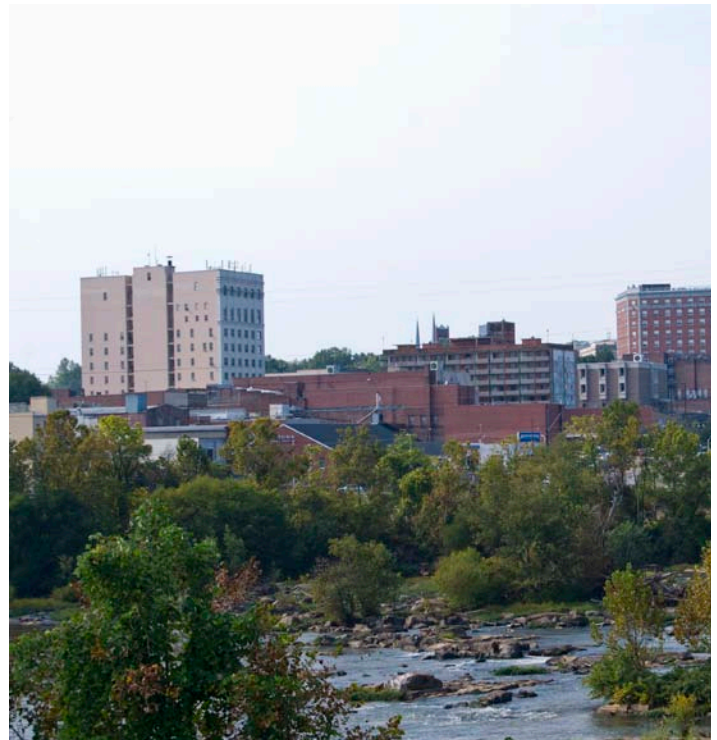
- ◆ **Richmond**—up 1.3 percent, or 8,200, to 633,500. The Richmond area had better job growth after benchmarking than before and grew slightly faster than Virginia's other two major metropolitan areas this year. Professional/business services saw 3.2 percent job growth with 3,200 jobs added for the best gain. Also good were increases of 2.3 percent, or 2,700, in trade/transportation; and 1.6 percent, or 800, in leisure/hospitality as the Richmond area also benefited significantly from the Jamestown-related activities this past year. Total government grew 1.1 percent, or 1,200 (state capital and large state universities); and private education/health care added 1.1 percent, or 800 jobs. Construction, up 2.4 percent, or 1,100, was still going strong with riverfront development, downtown projects, new shopping centers, and the first wave of Fort Lee expansion development. Information and miscellaneous services also added jobs. The Richmond area lost 3.2 percent, or 1,400, more factory jobs, and credit card and mortgage industry problems and mergers cost the area 600 finance jobs.
- ◆ **Northern Virginia**—up 1.2 percent, or 15,500, to 1,310,500. Northern Virginia job growth is down considerably from the 2.4 percent gain in 2006, largely because of the slump in real estate, which was hurting construction and finance. Still, Northern Virginia added more jobs on a numerical basis than any other metropolitan area and accounted for 45.3 percent of statewide job growth. The large professional/business services sector in this area still was a strong performer with 3.2 percent growth and 10,800 jobs added. Northern Virginia professional/business services accounted for 31.6 percent of the statewide job increase. Total government increased 2.1 percent, or 4,400 jobs, with local and federal

subsectors doing most of the expanding. Private education/health care grew 3.5 percent, or 4,100. Miscellaneous services was up a strong 5.5 percent, or 3,800. Leisure/hospitality grew 2.2 percent, or 2,500. The major sector slowing Northern Virginia growth was construction, down 7.9 percent, or 7,500 jobs, but there were also significant losses of 2.4 percent, or 1,200, in information and 1.6 percent, or 1,100, in finance. There were minor job additions in trade/transportation and a few jobs lost in manufacturing.

- ◆ **Lynchburg**—up 1.2 percent, or 1,300, to 108,600. The service-providing industries grew 2.2 percent, or 1,800, because of publishable increases of 700 in trade/transportation and 500 in total government and unpublishable increases in private education/health care. The goods-producing combination of mining, construction, and manufacturing was down a net 500 because of a publishable 500 loss in manufacturing.
- ◆ **Virginia Beach-Norfolk-Newport News, Virginia/North Carolina**—up 1.0 percent, or 7,500, to 774,900. The new benchmarks proved slightly slower growth in Hampton Roads than the monthly estimates had projected. Private education/health care, up 2.4 percent, or 2,100, and miscellaneous services, up 5.9 percent, or 2,000, had the best increases. Trade/transportation, up 1.1 percent, or 1,600, and leisure/hospitality, up 1.1 percent, or 900, both had benefited from Jamestown-related activities. Total government expanded 0.9 percent, or 1,300, with all subsectors adding workers. There were smaller additions in finance, information, and professional/business services. Manufacturing was down 4.7 percent, or 1,000, because of the Ford truck plant closing. Construction has now turned negative by 900.
- ◆ **Winchester, Virginia/West Virginia**—up 0.7 percent, or 400, to 58,100. Service-providing employment rose a net 2.5 percent, or 1,100, with a publishable gain of 400 in total government. There was a publishable 100 loss in trade/transportation. The goods-producing combination of mining, construction, and manufacturing was reduced a net 700 by layoffs in construction and building materials production.
- ◆ **Roanoke**—up 0.6 percent, or 900, to 163,300. The most notable increases were 700 in private education/health care and 200 in professional/business services spearheaded by Carilion health services expansion as it attempts to make Roanoke a

world-class health care center. There were also small job gains in leisure/hospitality, total government, and miscellaneous services. Manufacturing employment had attrition of 1,100 jobs and there was a minimal loss in finance.

- ◆ **Danville**—up 0.2 percent, or 100, to 41,400. After years of job loss, the Danville area saw slight positive job growth in 2007. The combined service-providing industries caused the net increase, outweighing minimal goods-producing losses as the publishable manufacturing sector was static.
- ◆ **Harrisonburg**—unchanged from its 2006 average, at 63,900. Service-providing gains in trade/transportation and total government were cancelled by goods-producing losses (less construction activity).
- ◆ **Blacksburg-Christiansburg-Radford**—down 0.7 percent, or 500, to 71,100. Goods-producing losses in vehicle, furniture, and textile manufacturing outweighed net service-providing gains, mostly in the universities (Virginia Tech and Radford).



*Note: Because of nonreportability due to disclosures and inadequate sample sizes and rounding to the nearest 100, area subsectors often do not add to totals.*

Metropolitan Areas	2007 Average Employment	2006 Average Employment	Change	
			Number	Percent
Blacksburg-Christiansburg-Radford	71,100	71,600	-500	-0.7
Charlottesville	102,100	99,100	+3,000	+3.0
Danville	41,400	41,300	+100	+0.2
Harrisonburg	63,900	63,900	0	0.0
Lynchburg	108,600	107,300	+1,300	+1.2
Northern Virginia	1,310,500	1,295,000	+15,500	+1.2
Richmond	633,500	625,300	+8,200	+1.3
Roanoke	163,300	162,400	+900	+0.6
Virginia Beach-Norfolk-Newport News, Virginia/ North Carolina	774,900	767,400	+7,500	+1.0
Winchester, Virginia/West Virginia	58,500	58,100	+400	+0.7
Total for Ten Virginia Metropolitan Areas	3,327,800	3,291,400	+36,400	+1.1
Remaining Rural Area Totals	432,900	435,100	-2,200	-0.5
Total for State	3,760,700	3,726,500	+34,200	+0.9

## Unemployment

Virginia's unemployment rate after the annual benchmarking averaged 3.0 percent for 2007, the same rate as before benchmarking. The 3.0 percent 2007 Virginia unemployment rate was also unchanged from the 2006 state jobless average. Generally, most months in 2007 were lower than the corresponding 2006 month until an uptick in unemployment in the normally lower fourth quarter. The 2006 unemployment rate average of 3.0 percent was the best Virginia unemployment rate average in six years, since a 2.3 percent Virginia average unemployment rate in 2000. The 2.3 percent 2000 average unemployment rate was the lowest average recorded in Virginia since figures have been kept, starting in 1950. The unemployment rate average for the U.S. was 4.6 percent in both 2007 and 2006.

The number of unemployed workers in Virginia averaged 123,200 in 2007—2,100 more than the 2006 average of 121,100. The state's civilian labor force averaged 4,054,200—59,100 more individuals than the 2006 civilian labor force average of 3,995,100.

According to the Bureau of Labor Statistics of the U.S. Department of Labor, Virginia, with a 3.0 percent unemployment rate average, had the fourth-lowest jobless average in the U.S. in 2007. Only Hawaii, 2.6 percent, and Idaho and Utah, both 2.7 percent, had lower unemployment rate averages in 2007. Nebraska and South Dakota, both also averaged 3.0 percent unemployment rates, the same as Virginia. Virginia was third-best in the continental U.S. and was the lowest of the 13 largest states with Florida's 4.0 percent jobless average being second-best among the large states.

## Forecast

With the worsened national forecast, we have lowered our 2008 and 2009 projections from what appeared in this year's *Economic Assumptions*. The reductions are largely confined to construction, manufacturing, trade, and finance. The Virginia economy, like the national economy, is expected to see below-typical trend-line growth in 2008 and 2009, with 2009 being a little better than 2008. Unlike many states, average job growth in Virginia is not expected to go negative. Virginia is expected to do better than the nation as a whole throughout the forecast period. The service-providing industries, especially the dominant professional and business services and private education and health care, should continue to provide a big boost for this state's economy. Also helping will be the state government institutions of higher education, which are an export industry for Virginia (i.e., Virginia educates many students

from outside the state). These colleges are the engine of growth in some local economies. The trio of professional and business services, health care, and public and private higher education are near recession-proof and should continue to provide the bulk of Virginia's job gains.

High energy prices, expanding debt burdens, and the housing slowdown represent major risks to consumer spending. Expectations are that consumer fundamentals will remain healthy overall, leading to modest job growth in the retail sector. Continued defense-related spending as well as low business costs, Virginia's number one ranking as a "good state to do business," and strong population growth should all bode well for Virginia's economic performance throughout the forecast period. Manufacturing is the sector that is expected to continue to see the most significant job losses. Construction employment is expected to be negative in 2008 and 2009, but should be recovering by the end of the forecast period. Virginia's 3.0 percent unemployment rate is expected to rise to average about 3.5 percent in 2008, and this will partly be caused by the many new people attracted to Virginia by its low jobless level. Virginia is expected to remain the large state with the lowest unemployment rate. Virginia should continue to be among the ten- best states for unemployment with only a few small population western states sometimes being as low, or lower.

**Nonagricultural employment\*** in Virginia is expected to slow from the 34,200, or 0.9 percent, 2007 average rate of gain to grow by 22,300 jobs, or 0.6 percent, to 3,783,000 in 2008. After that, the pace will pick up slightly with nonfarm employment up 31,000 job, or 0.8 percent, to 3,814,000 in 2009.

\*Note: Detail may not add to totals due to rounding.

**Professional and business services** continues to be a big mainstay of economic growth in Virginia, adding 14,500 jobs, or 2.3 percent, to 658,300 in 2008 and 25,500 jobs, or 3.9 percent, to 683,800 in 2009. Virginia established a fundamental base of technological know-how, specialized physical structures, and human skills over the past two decades that should give its professional and business services employers a real jump on the rest of the nation. Computer programming consultants are preparing the next wave of software packages, and architectural and engineering firms are busy on new projects, especially in redeveloped downtown areas. As always, contracting with the federal government is a significant portion of Virginia consulting firms' work. Temporary employment services will be supplying workers for special and temporary needs. Providing highly trained specialty field temporary service



professionals to meet many and varying demands is now a big part of this industry. Human resource professionals claim professional and business services in Virginia could expand even faster than it is already doing, if more highly skilled and qualified workers could be found. Virginia should attract in many professionals from other states.

**Private education and health care services** will add 10,600 jobs, or 2.5 percent, to 427,600 in 2008 and 9,900 jobs, or 2.3 percent, to 437,500 in 2009. Health care, social services, and nursing facilities will expand to meet the needs of an affluent, aging population. Advances in technology today cause the public to expect and demand so much more in the way of health services. These demands will expand even more as health insurance coverage grows. Private education will be expanding gradually with the growing population. The major health care and education facilities located in centers throughout the state use the latest equipment and technologies to serve not only the Old Dominion, but a big portion of the upper South. Paramount to these projections is Carilion health care's plan to make the Roanoke area into a world-class health care center similar to the Mayo Clinic.

**Total government** employment should gain 7,600 jobs, or 1.1 percent, to 693,700 in 2008 and 3,900 jobs, or 0.6 percent, to 697,600 in 2009. Federal government employment is expected to be off slightly by 200 jobs, or 0.1 percent, because of budget restraints to 156,400 in 2008, but be up 100, or 0.1 percent, to 156,500 in 2009. There may be some winding down in Iraq war activities by 2009. Also, Base Closure and Realignment Commission (BRAC) recommendations will come into play very late in the forecast period and will cause a reshuffling of some Virginia federal personnel. Generally, the BRAC recommendations cause some federal payroll reductions in Hampton Roads and Northern Virginia (although much of this is a shifting to different facilities), but big gains will be starting to happen in the Richmond area. Combined state and local government employment is expected to increase 7,800 jobs, or 1.5 percent, in 2008 and 3,800 jobs, or 0.7 percent, in 2009. Most of this increase will be in local public education to meet an expanding school population. Employment is also expected to expand at growing state institutions of higher learning. Higher education is an "export industry" in Virginia, and state colleges have other means of revenue other than the state general budget, such as grants, tuition fees, user fees, and alumni support. Some other state government agencies will have to add personnel to serve the needs of a growing population even though revenues will be tight.

The **leisure and hospitality** industry is expected to grow by 6,400 jobs, or 1.9 percent, to 352,300 in 2008

and add 4,900 jobs, or 1.4 percent, to 357,200 in 2009. The 400<sup>th</sup> anniversary of the first permanent English settlement in the new world at Jamestown, Virginia, in 1607, was celebrated in 2007. Even with the wind-down from the Jamestown activities, this industry continues to add workers. The extra workers from the Jamestown celebration have moved on and caused little excess unemployment. High gasoline prices will be a concern, but with the nearby population centers of the Northeast and Midwest, Virginia should receive many visitors. High fuel prices may cause Virginia to pick up travelers from more distant locations. The Virginia travel business is expected to remain good in the years after the Jamestown festivities.

Other, or **miscellaneous, services** should grow by 3,700 jobs, or 2.0 percent, to 188,700 in 2008 and then lose 1,000 jobs, or 0.5 percent, to 187,700 in 2009. These traditional service providers, like barber shops, beauty parlors, and other personal services, repair shops, and nonprofit and charity organizations (subgroups that originally made up services under the SIC codes) should grow with the economy. Charities may see fewer donations as consumers cope with falling home equity and rising energy prices.

**Trade employment** is expected to expand 3,200 jobs, or 0.6 percent, to 550,900 in 2008 and 3,700 jobs, or 0.7 percent, to 554,600 in 2009. Consumer spending will grow with the economy. Tourism should help retail sales in Virginia. Merchants will be expanding to serve a growing population, but they will be using all the labor-saving and cost-cutting measures possible in order to stay competitive. Discount and big box retailers will grow, but there will also be the need for specialty and niche marketers. Discount stores are vulnerable to soaring fuel prices. Some chains will combine small stores into a few larger ones.

**Transportation, Warehousing, and Utilities** is expected to add 600 jobs, or 0.5 percent, to 120,500 in 2008 and 1,000 jobs, or 0.8 percent, to 121,500 in 2009. The airlines are expected to do better than in the recent past in the forecast period. Virginia airports are expected to show increased traffic. Trucking and shipping lines should also handle more merchandise. Electric utilities need to increase capacity to meet the ever-growing energy demands. High-energy costs are a very real concern to all subsectors of the transportation and utilities industry.

**Natural resources and mining** is expected to see relatively little employment change in the forecast period. Employment should be unchanged in 2008 at 11,000. Employment in this industry then climbs slightly to 11,200 for 2009. This industry is expected to



follow energy markets. On the plus side, utilities use more coal when oil prices are high and the mines are having to recruit replacements for an aging workforce. On the downside, Virginia coal seams are becoming more difficult to extract economically, and there is stiff competition from newer mines in the western states.

The **information industry** is expected to hold its own in 2008 with employment rising 500, or 0.6 percent, to 91,200, then slide 1,200, or 1.3 percent, to 90,000 in 2009. The news media and printing may see slight job growth, but there still will be intense competition and weeding out of weaker players in telecommunications. Also, some firms have a tendency to escape this sector to be recorded in professional and business services.

**Finance, insurance, and real estate** is projected to lose 4,200 jobs, or 2.2 percent, to 190,000 in 2008 and 1,800 more jobs, or 0.9 percent, to 188,200 by 2009. More jobs will be lost in the near-term at mortgage lenders before the mortgage situation bottoms out. Wachovia Securities is moving many jobs out of Richmond to St. Louis, Missouri, as a result of its recent merger with A.G. Edwards, a St. Louis broker. Also, Virginia-based Capital One Financial is still downsizing and some of the mortgage mess may spill over to credit cards. The commercial side of the real estate industry is expected to remain fairly strong, and banks and insurance companies will be expanding to meet the public's needs.

**Construction employment** is expected to drop 11,600 jobs, or 4.8 percent, to 229,200 in 2008 and fall 5,800 jobs, or 2.5 percent, to 223,400 in 2009. Residential construction has fallen off a cliff because of the mortgage

situation. Northern Virginia is the most impacted area, but even it is not nearly as bad off as states like California, Florida, and Nevada, which have experienced huge building booms and busts. The rest of Virginia is holding up comparatively well. Overall, commercial construction in Virginia remains fairly healthy. The credit crunch has less impact on commercial construction where investors have money they want and need to invest. Also, a good portion of commercial construction is with government entities for projects like schools and highways, which are not as susceptible to credit issues. Much BRAC-related construction will be starting shortly at Virginia military bases, especially the mammoth Fort Lee expansion.

**Manufacturing** is still losing jobs to offshore competitors. Expected reductions are 9,000, or 3.2 percent, to 269,600 in 2008 and 8,300, or 3.1 percent, to 261,300 in 2009. Both durable and nondurable goods will continue to dwindle with durable goods losing the most—5,000 jobs, or 3.0 percent, to 159,000 in 2008 and 4,300 jobs, or 2.7 percent, to 154,700 in 2009. Virginia shipyards will be completing projects for the Navy in 2008 and 2009 with some layoffs both years. The next phase of updating the naval fleet should start by 2010. (Northrop Grumman's Newport News shipyard is the only U.S. facility that is capable of building all types of large naval vessels.) Nondurable goods is expected to lose 4,000 jobs, or 3.5 percent, to 110,600 in 2008 and 4,000 jobs, or 3.6 percent, to 106,600 in 2009. Textile mills, which employed over 40,000 Virginia workers in the 1970s, are expected to see employment fall from 8,500 in 2007 to only 7,000 by 2009. Foreign competition remains a big factor in nondurables.



## Nonfarm Employment in Virginia\* (using 2007 revisions to the NAICS categories)

Industry	2007 Averages	Revised Projected		Change			
		2008 Averages	2009 Averages	Number		Percent	
Total Nonfarm Jobs	3,760,700	3,783,000	3,814,000	+22,300	+31,000	+0.6	+0.8
Mining	11,000	11,000	11,200	0	+200	0.0	+1.8
Construction	240,800	229,200	223,400	-11,600	-5,800	-4.8	-2.5
Manufacturing	278,600	269,600	261,300	-9,000	-8,300	-3.2	-3.1
Durable Goods	164,000	159,000	154,700	-5,000	-4,300	-3.0	-2.7
Nondurable Goods	114,600	110,600	106,600	-4,000	-4,000	-3.5	-3.6
Trade	547,700	550,900	554,600	+3,200	+3,700	+0.6	+0.7
Wholesale Trade	121,100	121,300	121,600	+200	+300	+0.2	+0.3
Retail Trade	426,600	429,600	433,000	+3,000	+3,400	+0.7	+0.8
Transportation, Warehousing, and Utilities	119,900	120,500	121,500	+600	+1,000	+0.5	+0.8
Information	90,700	91,200	90,000	+500	-1,200	+0.6	-1.3
Finance, Insurance, and Real Estate	194,200	190,000	188,200	-4,200	-1,800	-2.2	-0.9
Professional and Business Services	643,800	658,300	683,800	+14,500	+25,500	+2.3	+3.9
Private Education and Health Services	417,000	427,600	437,500	+10,600	+9,900	+2.5	+2.3
Private Schools and Colleges	81,000	83,700	85,600	+2,700	+1,900	+3.3	+2.3
Leisure and Hospitality Services	345,900	352,300	357,200	+6,400	+4,900	+1.9	+1.4
Accommodations and Food Service	299,000	304,400	308,700	+5,400	+4,300	+1.8	+1.4
Miscellaneous Services	185,000	188,700	187,700	+3,700	-1,000	+2.0	-0.5
Total Government	686,100	693,700	697,600	+7,600	+3,900	+1.1	+0.6
Federal Government	156,600	156,400	156,500	-200	+100	-0.1	+0.1
State and Local Government	529,500	537,300	541,100	+7,800	+3,800	+1.5	+0.7

\*Some totals may not add due to rounding to the nearest one hundred.

### Labor force data (place of residence)

Virginia's **labor force** is expected to expand in the forecast period, both from natural growth within the state and from workers outside of Virginia being attracted here by the good job opportunities and the low jobless rate. The civilian labor force is expected to grow by 39,300, or 1.0 percent, to 4,093,500 in 2008 and 40,000, or 1.0 percent, to 4,133,500 in 2009. The **unemployment level** will be boosted by job losers and by new workers attracted to the job opportunities in Virginia, who will slightly swell the ranks of the unemployed while they are conducting their job search even though they should quickly find work. The number of unemployed should rise 20,100 to 143,300 in 2008 but fall 2,800 to 140,500 in 2009. The **unemployment rate** is expected to average 3.5 percent in 2008 and 3.4 percent in 2009. The Virginia unemployment rate should keep its historic relationship of being only 65 to 75 percent of the national jobless rate. It also should remain below the 5.0 percent level considered to be "full employment."

### Regional forecasts

- ◆ **Northern Virginia** should continue as Virginia's job growth leader, at least on a numeric basis, as it has been for the past three decades, accounting for about 40 percent of statewide job growth. Gains of about 9,000 jobs in 2008 and 12,000 jobs in 2009 should occur for just under 1 percent job growth. Paramount in this region will be the high-tech, high-wage professional and business services, which should produce 8,000 to 10,000 new jobs per year. Residential construction may have a ways to slide and there may be more finance industry losses. Overall commercial construction in the region is healthy, but it has slowed in the Dulles corridor. By 2009 construction of facilities to move all the defense personnel now housed in rental space onto military bases as required by the BRAC recommendations will be started. The vacated rental spaces will mean more office space will be available to meet the demands of growing private-sector tenants. There will continue to be much competition and reshuffling in the telecommunications industry.

The airlines may be hurt by high fuel prices. Health care, and retail trade will be expanding to meet the needs of a growing high-income population. The low value of the U.S. dollar is attracting foreign shoppers to the area. Volkswagen of America is relocating its U.S. headquarters to Herndon, Virginia. Another significant terrorist attack on the nation's capital would impact this area.

The Northern Virginia **unemployment** rate is expected to be in the upper 2 percent range with new people coming to this booming area to seek work, keeping it from dropping even lower. In both quality and quantity of jobs, Northern Virginia still should continue to be one of the best job markets in the world. The two biggest concerns in this booming job market are not enough trained workers and traffic gridlock.

- ◆ The **Richmond** area should see job gains of 6,000, or 1 percent, in 2008 and 8,000, or 1.3 percent, in 2009. Private education and health care and professional and business services should lead employment growth. State and local government should do limited staffing, especially in public education and transportation. Downtown and riverfront development projects and expansion of the biotech park should continue as well as more shopping center development in suburban areas. New arrivals to the area from Westvaco and Phillip Morris should continue to add to the employment base. The new Rolls-Royce aircraft engine plant in Prince George County should open in 2009. The start-up of the BRAC recommendations to more than double the size of Fort Lee will mean much development for the Petersburg portion of the area. This is one of the biggest military base expansions in the entire country. Richmond may have the best percentage job growth of Virginia's large metropolitan areas in the forecast period.

The **unemployment** rate should be in the 3 percent range.

- ◆ The **Virginia Beach-Norfolk-Newport News, Virginia/North Carolina** area should see nonfarm employment growth of about 6,000 jobs, or 0.7 percent, both years. The important local tourism economy should continue to be good with the low value of the U.S. dollar attracting foreign visitors. After-Jamestown cutbacks do not seem to be much of a problem. Next year may be an "in-between year" for defense contracts. The area benefits from supplying the war efforts, but a return of the troops would boost local retail activities. An end to the Iraq



war may mean some cuts at defense contractors; and, farther out, with the BRAC recommendations coming to pass, both the Peninsula and Southside Hampton Roads could see defense reductions.

**Unemployment** in the region should remain in the 3 to 4 percent range with perpetual turnover in military dependants. Traffic congestion remains a problem for this area, especially around the tunnels.

- ◆ The **Charlottesville** area should continue to see the best job growth of the state's small- and medium-size areas. Job expansion should be 2 to 3 percent annually. This growth will be driven, as usual, by the large University of Virginia, University Medical Center, and their support industries, but professional and business services, private education and health care, trade and transportation, and leisure and hospitality, all should be strong.

The **unemployment** rate should be upper-2 percent, keeping Charlottesville one of the very best smaller job markets in the entire nation.

- ◆ The **Roanoke** area should see slow, but steady, job growth around 1 percent with Roanoke's mainstays of trade and transportation, professional and business services, and private education and health care providing the most jobs. The Carilion health care's plan to link up with Virginia Tech to make Roanoke a world-class health care center should provide many new jobs.

The **unemployment** rate should be in the 3 percent range.

- ◆ The **Lynchburg** area should see about 1.5 percent job growth, led, as usual, by the private colleges and their support industries. Professional and business services should also prosper.



The **unemployment** rate should be around 4 percent.

- ◆ The **Winchester Virginia/West Virginia** area should see some job growth with continuing influence from its large and prosperous neighbor to the east, Northern Virginia. Like Northern Virginia, the Winchester area has had some housing-related problems.

The **unemployment** rate should be 3 to 4 percent. Preventing the rate from being even lower are possible jobless claims from the motor vehicle- and housing-related industries, both in the area and in nearby West Virginia where some Winchester residents work.

- ◆ The **Harrisonburg** area should see some job growth led by the large James Madison University complex and the support industries that go along with it. Ground has recently been broken for a new biotech center and Merck and Company has a \$300 million expansion underway at its Stonewall plant to produce Gardasil®, the new cervical cancer vaccine. Also, several technology firms from Northern Virginia have recently opened. Some housing-related problems have recently surfaced.

The **unemployment** rate in the Harrisonburg area was extremely low in 2007 and that trend should continue with just below 3 percent unemployment, making Harrisonburg one of the best small areas for unemployment in the nation.

- ◆ The **Blacksburg-Christiansburg-Radford** area should continue to see good job growth in its combination of Virginia Tech, Radford University, and the technology complex in Montgomery County that goes along with the colleges. Pulaski County's motor vehicle-related manufacturers have recently had problems. For a time, factory losses may outweigh gain in public higher education.

The area **unemployment** rate may move over 4 percent because of the above factory furlough situation.

- ◆ The **Danville** area saw slight job growth for the first time in years in 2007. This trend should continue with more new service-providing employers. Also, a new furniture plant has been announced for the area.

The **unemployment** rate should fall to the 5 percent range provided there are no new major plant closings.

The nonmetropolitan **Balance of the State** should continue to present a diversified and mixed picture. Generally, the more services-oriented upper half of the state should see more job growth and do better than the lower half factory-oriented part. Unfortunately, some of Northern Virginia's residential home construction problems seem to be having a minor impact now on some adjacent rural areas. Jurisdictions along the North Carolina border that continue to lose manufacturing employers will continue to have the state's highest unemployment.





## Performance of Indicators Over the Business Cycle

For those interested in studying the business cycle in Virginia, this publication includes several of the economic time series for which data is readily available on a monthly basis. From time to time, new series will be added and, if necessary, others presently included will be discontinued.

### Business Cycle Turning Points

The beginning of a recession is defined as the month when aggregate economic activity in the U.S. reaches a cyclical high, from which it begins to turn down, and the end as the month when it reaches a cyclical low, from which it begins to turn up. On November 26, 2001, the National Bureau of Economic Research (NBER) announced a recession had begun in March 2001. On July 17, 2003, NBER announced the recession ended in November 2001.

### Seasonal Adjustment

To correlate changes in a time series and changes in the business cycle, it is desirable to eliminate, insofar as possible, the effect of irrelevant factors from the data comprising the series. All series currently published in the *Virginia Economic Indicators* have been adjusted to minimize regular seasonal fluctuations in the data in order to show only activity related to the business cycle.

### Historical Graphs

Historical graphs are published in the back of the fourth quarter issue for each year.

## Data Sources

<b>U.S. Census Bureau:</b>	Average Weekly Initial Claims
Single Family Housing Permits	Deflated Average Hourly Earnings
<b>Virginia Department of Motor Vehicles:</b>	Deflated Average Weekly Earnings
New Vehicle Registrations	Insured Unemployment Rate
<b>Virginia Department of Taxation:</b>	Manufacturing Employment
Deflated Taxable Retail Sales	Nonagricultural Wage
Taxable Retail Sales	and Salary Employment
<b>Virginia Employment Commission:</b>	Total Production Hours
Average Hourly Earnings	Total Unemployment Rate
Average Weekly Earnings	Unemployment Insurance Final Payments
Average Weekly Hours	<b>Virginia State Corporation Commission:</b>
	New Business Incorporations

# HISTORICAL GRAPHS

## ***MONTHS OF CYCLICAL DOMINANCE (MCD)***

After seasonal adjustment, there often remains a significant degree of purely random change—the effect of which can be minimized with a moving average equal in length to the MCD of the series. The MCD is an estimate of the length of the moving average which will reveal the cyclical pattern among the welter of random fluctuations in the data—the greater the MCD the more random and less cyclically significant are monthly changes in the series. Charts of historical data in this publication represent seasonally adjusted figures which have been averaged according to the MCD of each series.

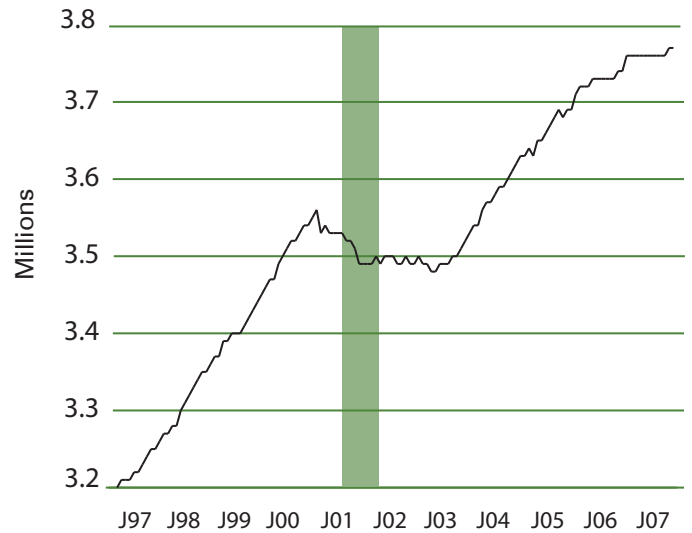
### Notes:

<sup>†</sup> Starting with January 2001 data, manufacturing series are estimated using the NAICS codes instead of the old SIC codes. The most important change is that publishers, primarily newspapers, are no longer included in manufacturing, but are part of the new information sector.

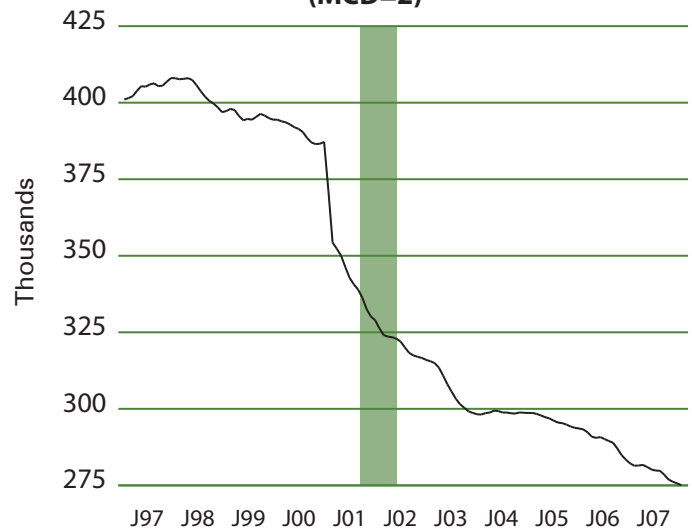
<sup>α</sup> Beginning with the January 2005 data, building permit data reflect an increase in the universe of permit-issuing places.

The shaded area on the graphs represents the Mar.-Nov. 2001 recession.

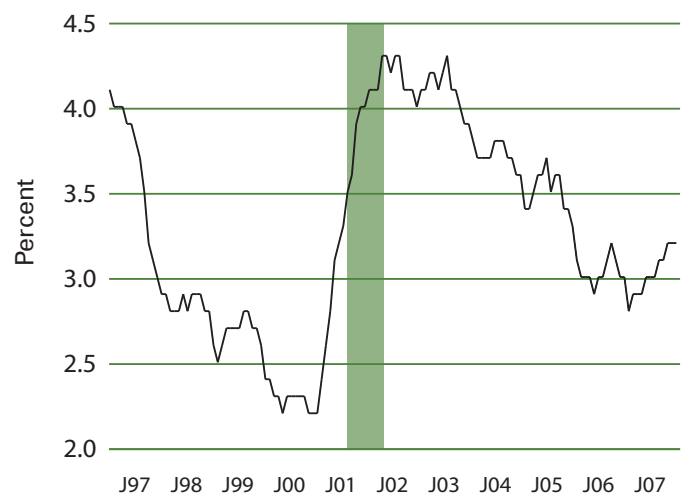
**Nonagricultural Wage & Salary Employment\***  
(MCD=1)



**Manufacturing Employment\*<sup>†</sup>**  
(MCD=2)

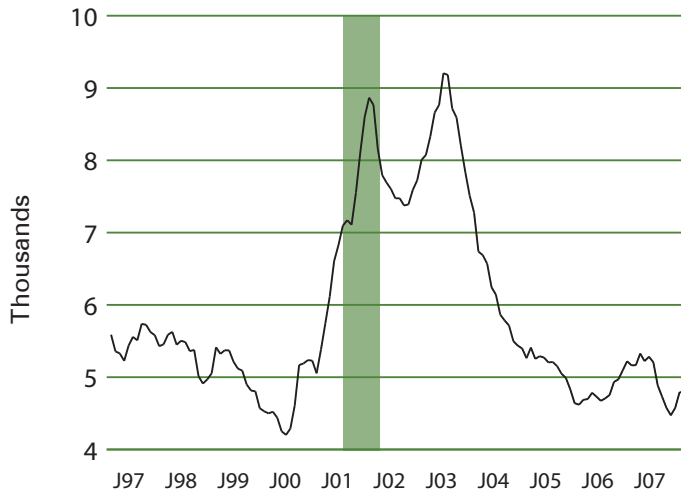


**Total Unemployment Rate\***  
(MCD=1)

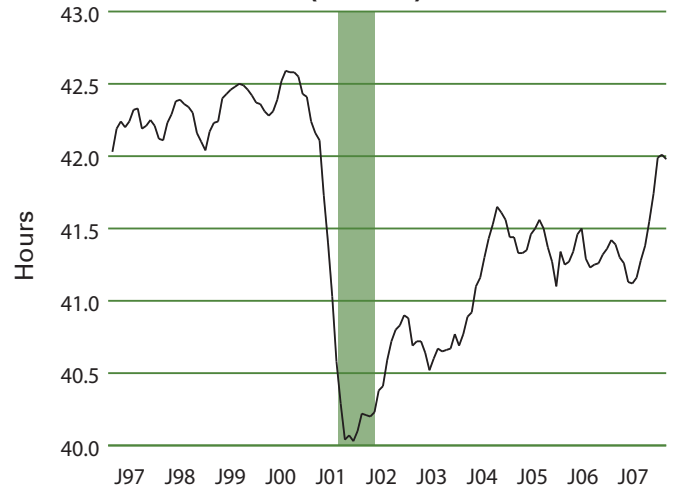


\*MCD Moving Average

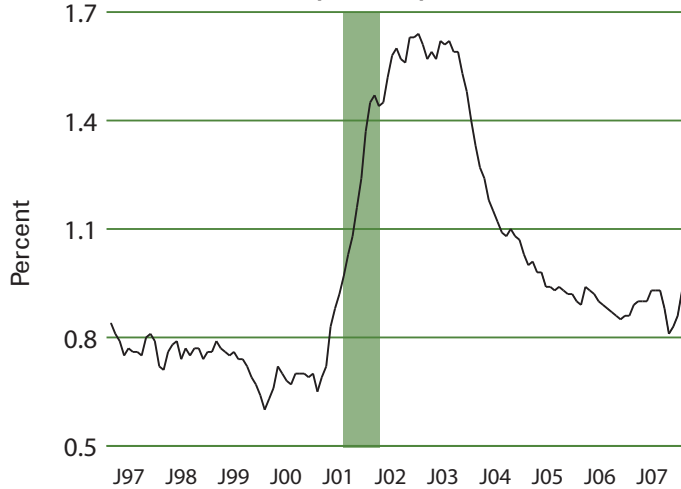
**Average Weekly Initial Claims\***  
(MCD=4)



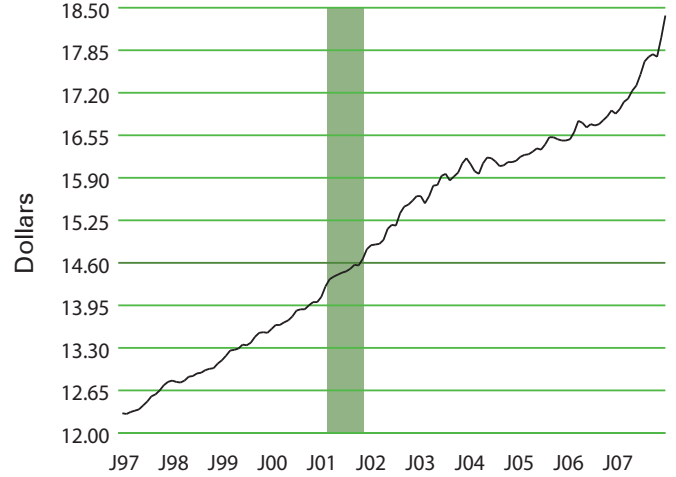
**Average Weekly Hours\*<sup>†</sup>**  
(MCD=6)



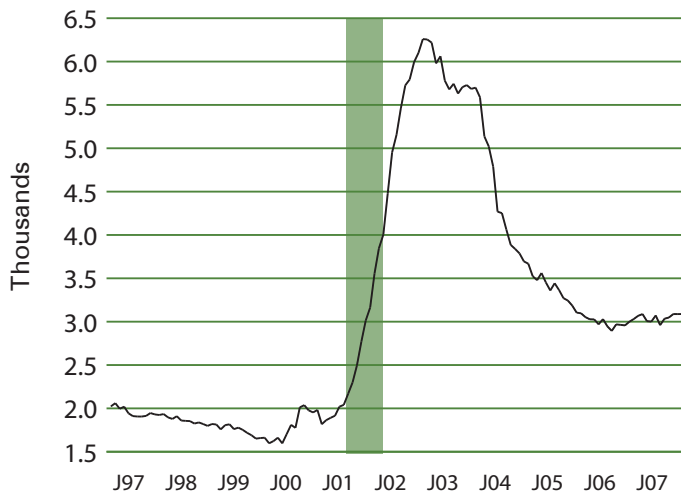
**Insured Unemployment Rate\***  
(MCD=3)



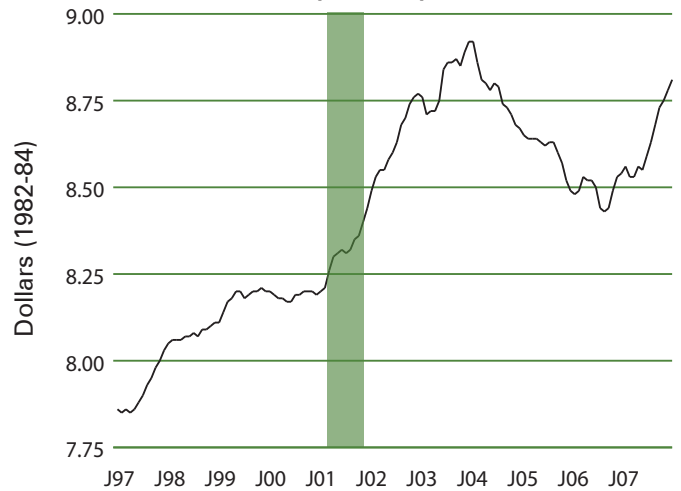
**Average Hourly Earnings\*<sup>†</sup>**  
(MCD=2)



**Unemployment Insurance Final Payments\***  
(MCD=5)

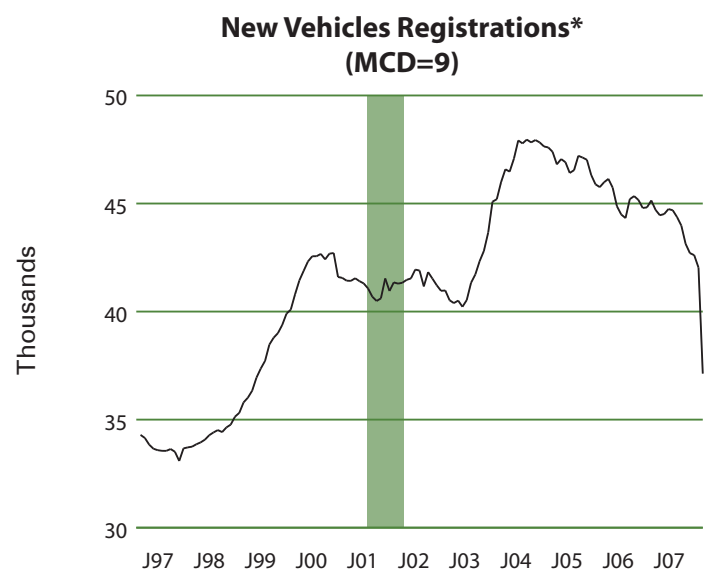
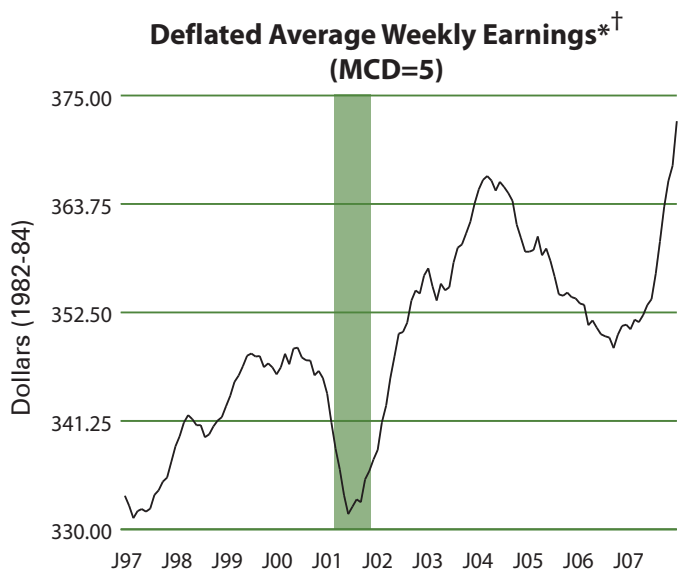
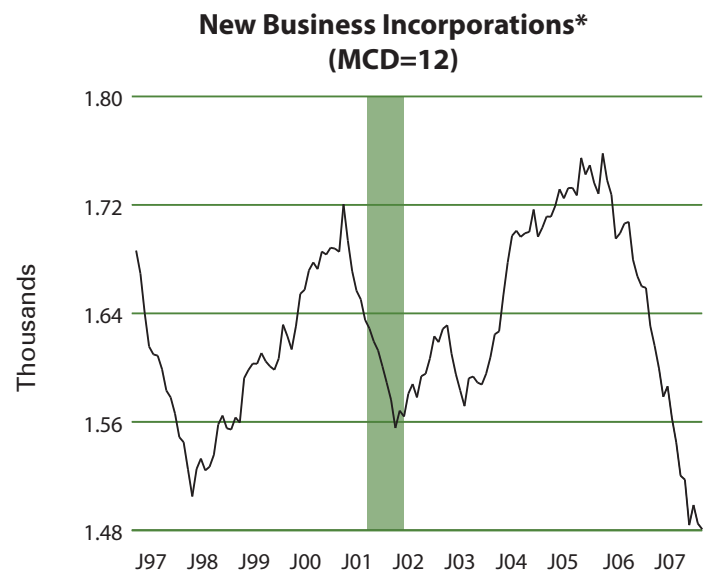
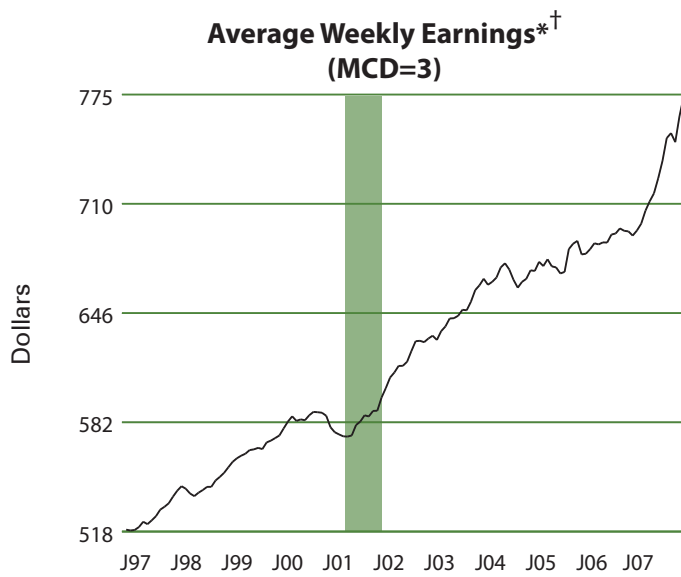
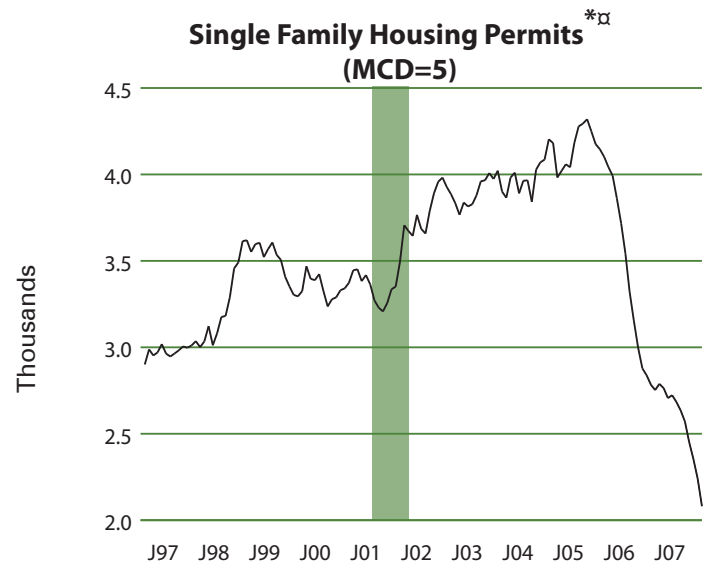
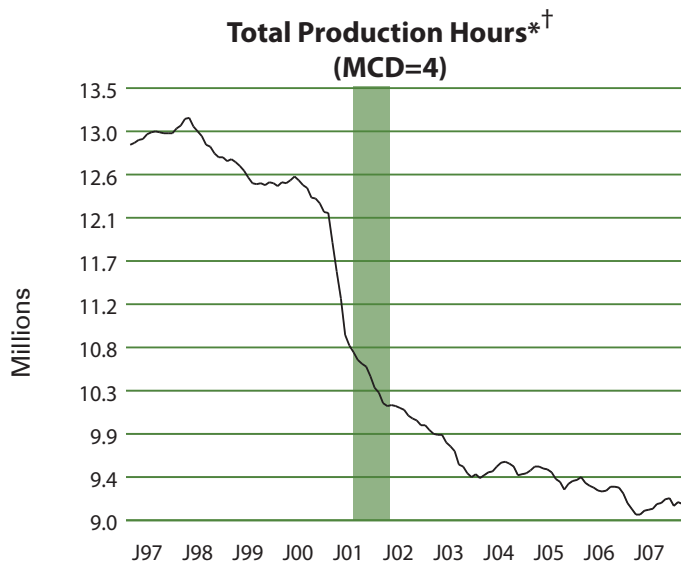


**Deflated Average Hourly Earnings\*<sup>†</sup>**  
(MCD=4)



\*MCD Moving Average

<sup>†</sup> See note on page 30.

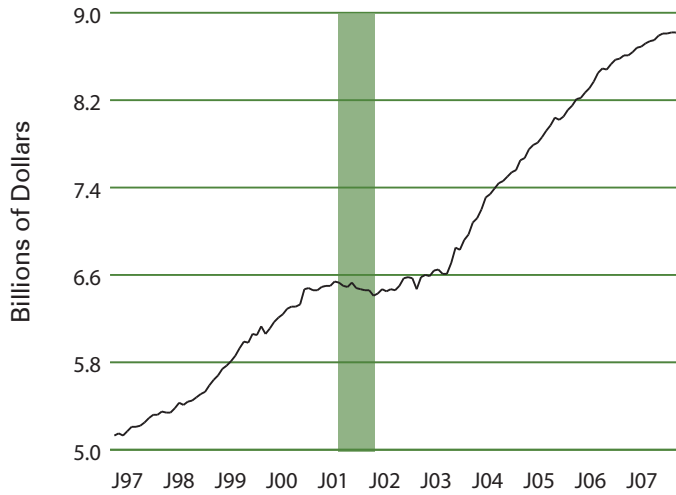


\*MCD Moving Average

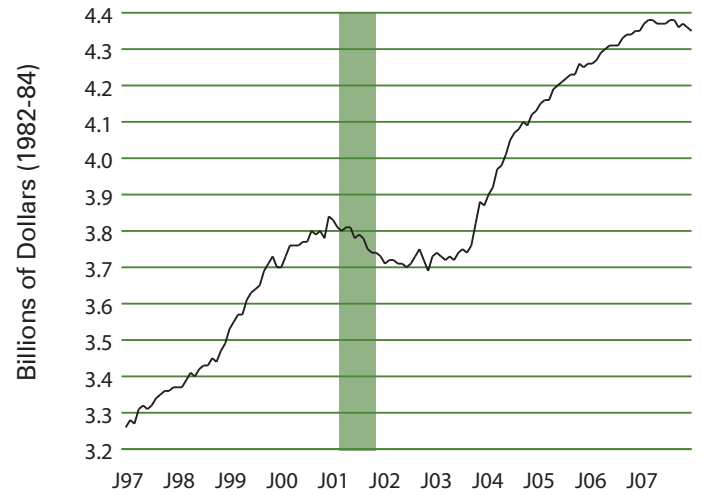
<sup>†</sup><sup>α</sup> See notes on page 30.



**Taxable Retail Sales\*  
(MCD=9)**



**Deflated Taxable Retail Sales\*  
(MCD=12)**



\*MCD Moving Average







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